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NOVEMBER 11, 1987 • ANNIVERSARY ISSUE

RESTAURANTS & INSTITUTIONS

A CAHNERS PUBLICATION SERVING THE TOTAL FOODSERVICE INDUSTRY

50 Years
R&I
1937-1987

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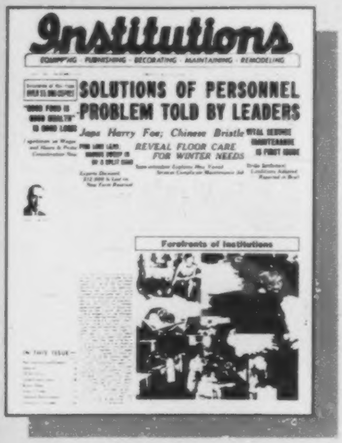
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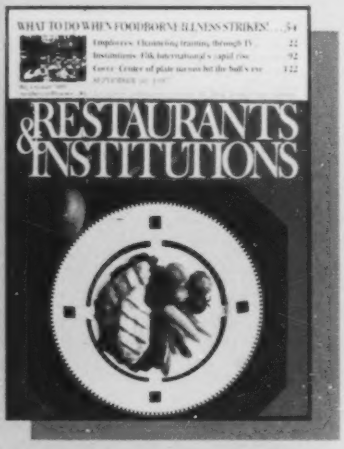

In 1937, when *Institutions* was launched, we were a tabloid in mostly black and white. In 1987, our name and size have changed, we print more four-color pages of food than any other magazine, but we are still dedicated to serving the foodservice industry in the most informative and beautiful way possible.

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50 Years
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THE '70s

From fast-food franchises to fern bars, chain growth hits stride.

In 1979, this White Castle (below) was constructed to replace one opened in 1929. A Japanese Buddhist priest (r.) enjoys McDonald's french fries.

The country was heading toward recession. Gasoline prices were skyrocketing. Food prices were higher and construction starts were weak. Almost everyone was feeling the pinch in the 1970s.

But restaurant chains, emphasizing expansion through franchising, continued to outpace the economy. Entrepreneurship was peaking and hard-working franchisees were willing to do what it took to succeed. A fashion-conscious America was on the go more than ever and speedy fast-food chains and trendy theme restaurants were replacing even more family-run operations.

The chains were concepts for the times. They provided convenience, quality and reliability. Fast food became as convenient as packaged goods in the grocery store.

While McDonald's grew from 1,500 to nearly 6,000 units during the decade, the new fast-food star was Wendy's. Four company-owned units were in operation in 1972 and founder David Thomas had big plans for national expansion. By the end of the decade nearly 2,000 Wendy's dotted the landscape.

Some of the other more successful growth chains during the decade included Bob Evan's Farms, Chick-fil-A, Mr. Gatti's, jojo's, Skipper's, Wienerwald U.S.A., Denny's, and Mom 'n' Pop's Ham Houses.

The chains had successfully infiltrated the city and suburbs by the mid-'70s, so it was time to venture into small towns, once considered too small for a national concern. Since profits were flowing, the fast-food chains also set their sights on shopping malls and began to expand overseas.

In 1970, Kentucky Fried Chicken opened its first outlet in Tokyo. By 1981, there were 324 units in Japan racking up sales of $200 million. The key to the success of chains abroad included adapting to the labor practices of the country and changing the taste of those weaned on weinerschnitzel and sauerkraut or fish and rice. Some con-

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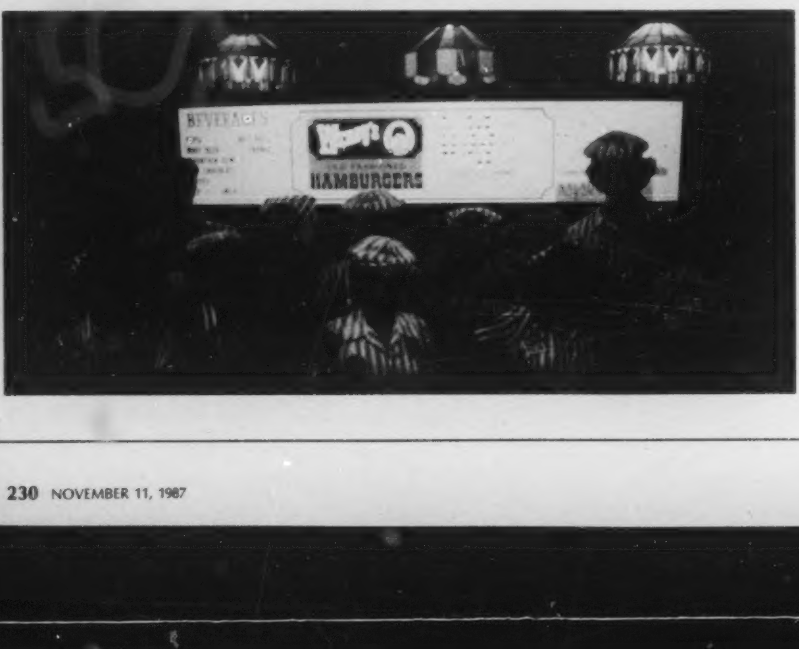
CHAIN GROWTH DURING THE '70s

Unit and sales volume grew nearly 1,000% during the period, making the '70s the decade of the fast-food chains. McDonald's began to show its dominance, while Wendy's entered the picture and quickly became an industry leader.

1970	Units	Sales (in millions)	1979	Units	Sales (in millions)
Kentucky Fried Chicken	3,722	$700	McDonald's	5,747	$5,385
McDonald's	1,592	587	KFC	6,091	2,189
Dairy Queen	4,151	465	Burger King	2,620	1,850
Howard Johnson's	900	365	Wendy's	1,818	1,002
A&W	2,505	249	Dairy Queen	4,860	926
Burger Chef	1,174	240	Pizza Hut	3,944	878
Burger King	770	225	Hardee's	1,250	750
Taste Freez	2,123	198	Big Boy	1,095	719
Big Boy	625	123	Denny's	858	593
Denny's	767	118	Sambo's	1,117	544

Source: *Restaurants & Institutions'* 400, 1971, 1980



A Wendy's crew team (l.) gives the thumbs up sign, indicative of the chain's strong growth during the '70s.

ACTION EXPRESS

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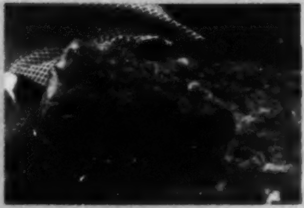

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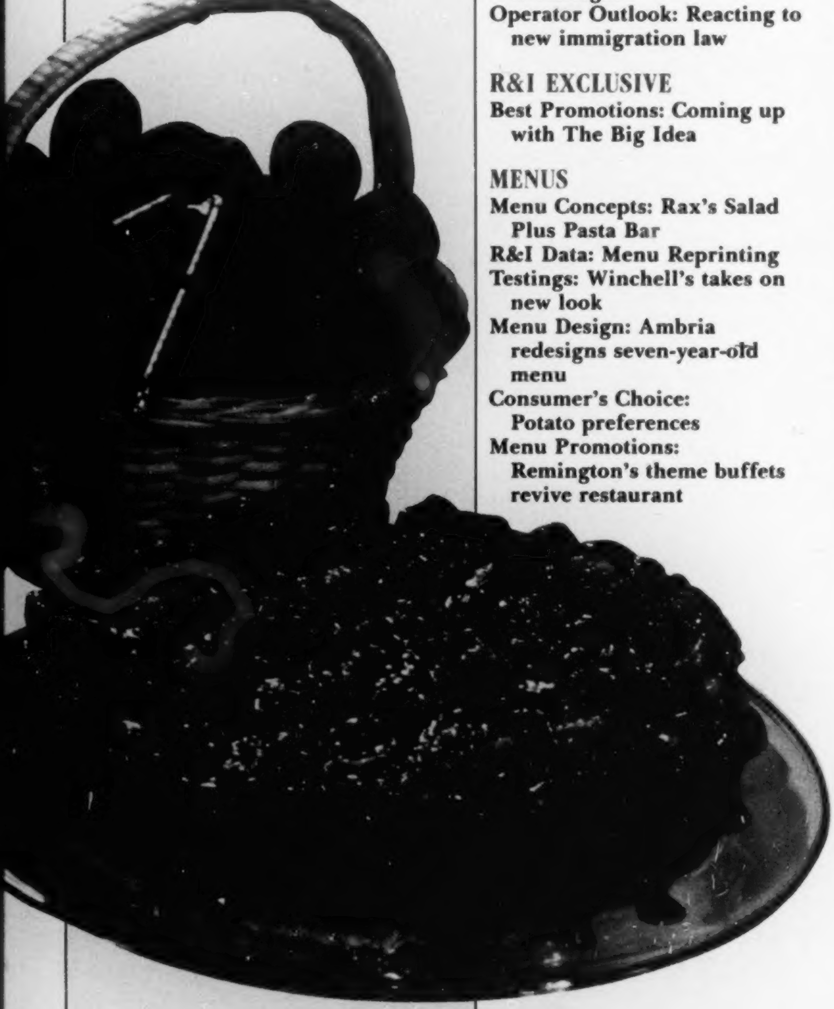

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■ **ALCOHOL SALES**

Opinions Vary on Future Consumption Patterns

Operators act to temper slippage with appropriate marketing strategies.

Despite news revealing that the decline in alcohol consumption has bottomed out, the fact remains that many consumers will continue to drink less alcohol.

The National Restaurant Association reports that alcoholic beverage consumption jumped 5% from 1984 to 1986. But 1986 intake was still down 15% from 1980.

A Cahners Economics report shows consumer spending for alcohol purchased with meals and beverages was at a seasonally adjusted annual level of $24.2 billion in the first half of 1987, accounting for a real increase of 2.8% when compared to the same period of 1986. But this rise is largely the result of strong gains recently made in total eating and drinking place sales.

Many operators say they are still waiting for evidence of the NRA study to reach their neighborhoods.

"While we thought alcohol sales had bottomed out, it has not been the case," says Richard May, president of the Specialty Restaurant Division of Gilbert/Robinson, based in Kansas City, Mo. "As a matter of fact, three months ago (July) we started seeing a further decline."

Others are less pessimistic. "We feel what the NRA is talking about isn't far from being around the corner," says Lane Cardwell, senior vice president for strategic planning at S&A Restaurant Corp., Dallas. "Most people changing their drinking behavior have already done so. Most of the legislation that has made an impact, like liability, dram shop and changing drinking ages, are already behind us.

"I expect sales will eventually begin to build," Cardwell adds. "There always tends to be a reaction to any trend. I can't pin down exactly what the motivating factor behind sales rebounding will be. But people just tend not to be static."

Regardless of all the predictions and premonitions, what has become most important to operators in terms of alcohol sales is marketing. Success now requires identifying growth areas, anticipating shifts in attitudes and timing. And operators are reacting.

Gene Sage, owner of three Chicago-area fine-dining restaurants, has historically attracted a drinking crowd. Instead of watching alcohol sales plummet, he has acted by creating new service standards, shifting the sales emphasis and, at the same time, enacting responsible service practices.

"We have shifted our emphasis on alcohol sales from across the bar to the tables," says Sage. "We also feel we have better control of how much is being consumed at the tables."

Sage has instituted alcohol sales standards for dining room and lounge servers. They have a sales quota of 1.5 drinks per customer, one bottle of wine for every five customers and one cordial for every four customers.

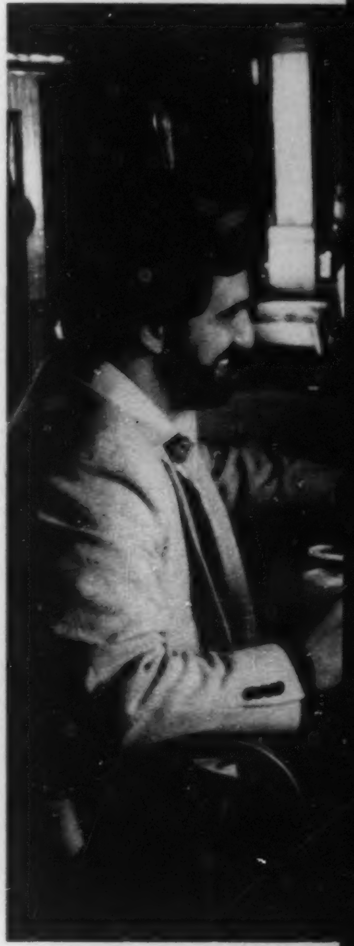
Along with the standards, Sage has given servers sales techniques. "Never ask a customer if they would *like* a drink," says Sage. "Ask them if they *want* a drink."

During cocktail service, servers return when the first drink is two-thirds full and offer a second drink. "At that point we don't offer a third drink," says Sage. "The customer has to buy the third drink."

Although consumers are drinking less, they are drinking better. Bar pours are becoming less important. Now it is call, call, call.

Sage is promoting business by upgrading brands without upgrading prices. He is offering a wider selection of top-shelf merchandise and prominently displays upper-level brands.

Since sales of premium products have increased, Eugenie Garrard of Flagon's Wine Bar & Bistro in New Orleans has noticed a big



HOW OFTEN ALCOHOL IS ORDERED AT RESTAURANTS

		Sex		Age			Region			
	Total	M	F	18-24	25-44	45+	NE	NW	S	W
As often (%)	59	60	57	54	59	61	74	54	55	52
Less often (%)	34	31	36	26	34	37	22	36	39	36
More often (%)	6	9	7	19	7	2	4	10	6	11

Source: National Restaurant Association Beverage Preference study

Diners still enjoy cocktails, but today they practice moderation.

jump in martini sales.

"Since people are drinking less liquor, I see the sales of stronger drinks increasing," says Garrard. "Attractive glassware will help play that up. Using oversized brandy snifters helped increase sales, and I'd like to do the same thing with martinis."

Garrard also boosts nonalcoholic drink sales with fine presentations. She is doing well with fancy French fruit juice drinks served in wine glasses. Sparkling apple cider served in a champagne glass also is a strong seller.

Operators say wine sales are holding up well and they are expanding the number of labels available by the glass. Sage says he has increased his wine prices by 15% to make up the losses in hard liquor.

To answer the loss of business-meal drinking, many operators have tried to market non-alcoholic beer and "mocktails." Some West Coast and midscale operators report meeting with modest success, while others do not understand the interest.

"Everyone says it's the answer to their problems," says May. "I can't believe it. Why would someone pay $2 for someone's water when you can get iced tea for $1. It's a sophisticated thing to do, but I think it's trendy and it will come and go."

In the restaurant lounges, the word cocktail is dropping from the name, according to George Rice, president of GDR/Crest. The focus is turning to snack food. "Lounges have become surrogates for the dining room and are very consistent with grazing trends," says Rice.

At the Gilbert/Robinson operations, May says they are doing more with food during cocktail hour.

"It's obvious that people aren't going to cocktail hour to get blasted," says May. "But if you offer a good array of food, you'll get the business. But as far as promoting things like Kamikaze Night, that is out. It's a dangerous game but some are still playing it. They must be nuts or have better insurance than I do."

Customers also appear to be spending more on desserts and appetizers. "We have cut back the list of after-dinner drinks because the demand isn't there," says Kip Downing, owner of Cafe Pacifica in San Diego. "Fifty percent of our customers are buying dessert, but out of 150 turns we are selling five after-dinner drinks."

Other operators, like Sage, are approaching the changing trend and doing well by adding after-dinner liquor cart service to promote liqueurs and related desserts.

"We are much better off selling cordials as opposed to desserts, both from a labor and production standpoint, and from a gross profit standpoint," says Sage.

While drinking habits are changing, operators are developing new success formulas for marketing alcohol by staying on top of trends such as the increased demand for imported beer. The emphasis seems to be switching to offering quality products, beautifully presented.

And the fact that consumers find alternate products that represent reasonable replacements should act as a big message for marketers, according to Rice. "The degree that they can develop drinks that fit today's market will be to their credit," says Rice. *—Jeff Weinstein*

An NRA study shows 74% of females are likely to order wine by the glass.

IMPORTED BEERS A HIT

The demand for imported beers has skyrocketed in the past few years. The NRA Beverage Preference study shows 70% of the respondents feel restaurants should serve several imports. Alcohol sales at The Berghoff in Chicago, which specializes in imported beers, are near where they were five years ago because, as General Manager Bill Marquardt puts it, "trends have caught up to us rather than us catching up to them."

ACTION EXPRESS

MAGAZINE DIVISION STAFF

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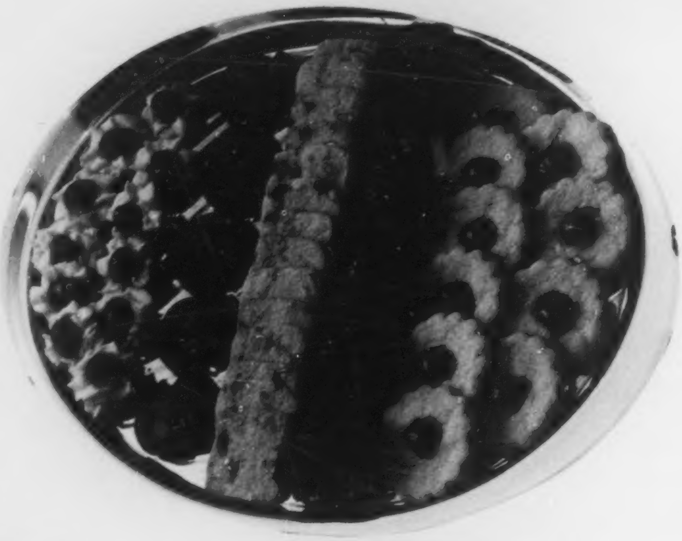

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HOW THE SURVEY IS DONE

"Tastes of America" is a survey conducted annually for *Restaurants & Institutions* by National Family Opinion, a market research firm based in Toledo. The survey, in its eighth year, examines the habits, tastes and attitudes of Americans when they eat away from home. Respondents were asked to consider the patterns of all household members when completing the questionnaire.

This year, 2,000 households, selected to conform with the country's demographic profile, were questioned by mail. The survey was mailed June 26 and replies were accepted until Aug. 12. Survey forms were returned by 1,404 households, a response rate of 70.2%.

Foodservice patronage in institutional settings such as hospitals and the military is not represented because only people who live at home were surveyed. Therefore, "Tastes of America" households report lower spending on and a lower percentage of meals away from home than is true of foodservice as a whole.

■ **TASTES OF AMERICA**

HOW AMERICA L♥VES TO EAT OUT

Consumers dine out more often and spend more money, R&I's exclusive Tastes of America survey reveals.

By Maureen Pratscher, Toni Lydecker, Jeff Weinstein and Lisa Bertagnoli

Restaurateurs weathered some difficult times in 1987, but the slump appears to be the result of an overbuilt industry rather than disenchantment with eating out on the part of consumers. *Restaurants & Institutions*' eighth annual "Tastes of America" survey reveals that 32% of Americans are eating out more frequently than they did last year. In addition, they are spending more on eating away from home, with the average household dishing out $31.07 a week, compared to $30.02 last year.

Fast-food hamburger chains are far and away the most widely accepted type of restaurant, earning visits from 68.3% of the respondents. Family restaurants and coffee shops were a distant second, patronized by 48.7% of the sample, and specialty restaurants, such as pizza, Oriental, seafood and Mexican, all rank in the top 10. Consumers tend to be loyal, visiting an old favorite restaurant 78.4% of the time, but can be most easily swayed to try a new restaurant at the suggestion of a friend or family member. A restaurant's reputation is the second most influential reason for trying a new place.

Restaurateurs who are battling for customers, however, should take note of some of the pet peeves aired by those surveyed. Smoking again tops the list of irritants, followed closely by noise or loud music, overpriced food and rude personnel. Even those operators who are grabbing a share of the red-hot delivery market must beware of the most common complaints: too-slow delivery, cold food and overpriced food.

Convenience is a common refrain throughout the survey, as nearly 64% say they have purchased food for takeout in the past month, while 37% say they are preparing more frozen entrees in the microwave at home. In addition, nearly a quarter say they are purchasing more ready-to-eat food from supermarket delis and salad bars.

Americans are still keen on health and nutrition, with more than half the survey respondents endorsing the idea of restaurants offering low-sodium, low-cholesterol, low-calorie and low-sugar food. They are putting their money where their mouth is by ordering more chicken, fish and salad, all considered low-fat items, this year than last. Orders of diet soft drinks and decaffeinated coffee also are rising.

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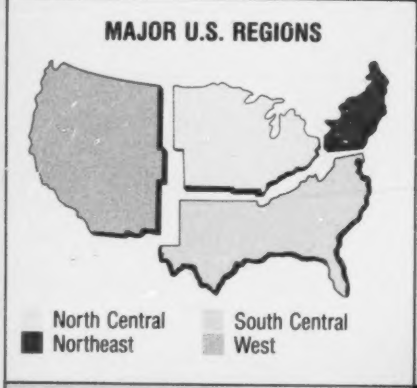
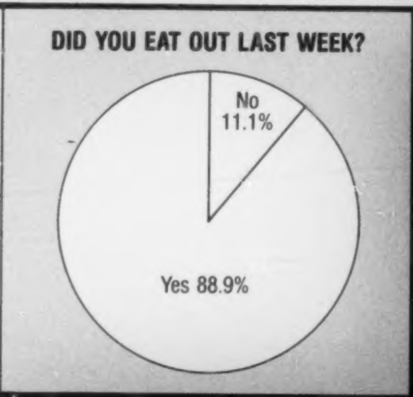
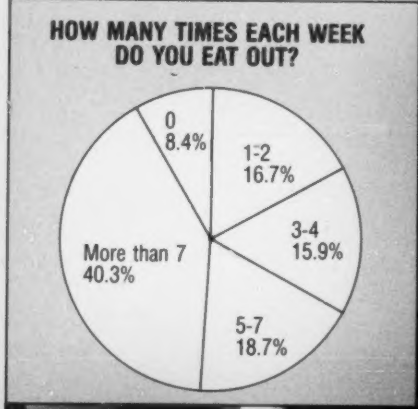


MAJOR U.S. REGIONS

North Central
■ Northeast
South Central
West



DID YOU EAT OUT LAST WEEK?



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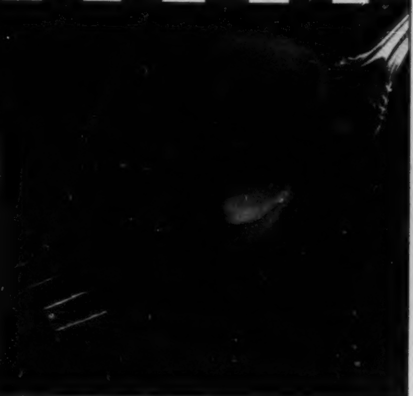

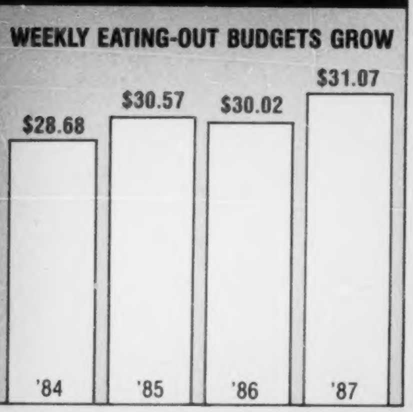

WEEKLY EATING-OUT BUDGETS GROW

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TASTES OF AMERICA

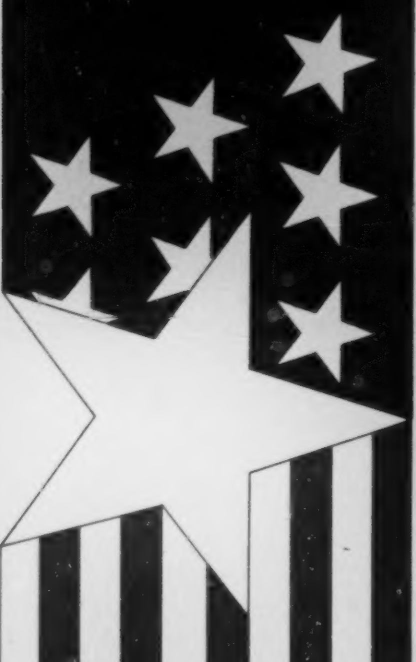
HOW DO YOU FEEL ABOUT THE COST OF EATING OUT VS. GROCERIES?

★ Young, unmarried male, low income, Detroit: "It's at least half again as expensive to get the same quality meal at a restaurant as you can have at home."

★ Young, unmarried male, low income, Chicago: "I eat out as a special thing, or for convenience when I have an appointment and don't have time to make dinner at home."

★ Middle-age, middle-income female, New York: "I accept the cost of eating out. You have to pay what the going rate is where you are, even though there may be a disparity. The quality of buying groceries and cooking at home is no better than eating out."

★ Retired male, middle-income, Port Richey, Fla.: "Actually, it's cheaper to eat at home, from an economic standpoint. But with two people, it's more convenient to eat out."



Consumer habits: Dinner surpasses lunch in frequency, and more are trying breakfast.

Like sending clothes to the Laundromat, hiring a maid or owning a VCR, eating out was once a luxury that many now consider a necessity.

Of the people in this year's "Tastes of America" poll who said they ate out once in the past week, 40.3% said they or members of their household eat a meal away from home more than seven times a week.

Who eats out depends on a number of things, including sex, income, marital status and geographic location. Are too many females trying to be Superwoman? This year, for the first time, female heads of households eat out more than their male counterparts. Of that group, 79% eat out at least once a week, eat dinner out most often, and spend more than an average of $16.16 a week eating out. Male heads of households follow close behind: 66.5% of those surveyed eat out at least once a week (mainly dinner) and spend an average of $21.02 a week on food away from home.

Children and teen-agers spend some of their allowance on meals out. Of the households surveyed, 35.9% of the teen-agers involved eat a meal out each week, and that meal is most likely to be dinner. Only 22.6% said they eat lunch away from home: Either brown-bagging is back in style, or those surveyed did not realize that a school-cafeteria lunch is considered a meal away from home.

Money matters prevent some groups from eating out whenever it's convenient. For instance, 90% of single people with a child under 19 eat out at least once a week, but spend less than $22 a week on meals away from home. Of older retired couples and older singles, 83.6% eat out more than once a week, but spend less than $25 a week on meals away from home. In other words, there is a big market for senior-citizen discounts and menus.

At the other end of the scale are "career couples" with or without children. Those without children spend more than $36 a week eating out. Those with children under 19 years old spend $38 a week for the total household.

Those who can afford to spend money out do. Of the households earning between $45,000 and $59,999 a year, 98.1% said they eat out at least once a week. Of the $60,000-plus crowd, 95.7% said they eat out at least once a week.

Geographically speaking, restaurateurs in the West win. Of households in that region, 94.9% of the country eat out at least once a week, compared to 91.7% in the North Central, 90.5% in

More and more meals away from home consist of supermarket takeout food.

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Fine-dining takes first place when people are with friends or spouses.

the Northeast and 90% in the South Central.

Regardless of income, family structure or geographic location, opinions on the value of buying groceries and cooking at home versus eating out vary little. On the eating out end, the good news is that the percentage of those who think eating out is a poor value is dropping, from 31.3% in 1984 to 15% this year. Over the past five years, the percent of survey respondents who think eating out is a good value has varied only slightly, from a low of 8.8% to a high of 13.6% this year. The number of those who say eating out is an average value rose slightly, to 71.4% from 66.9% in 1986.

The high "average" percentages along with the dwindling "poor" percentages indicate that eating away from home has, during the past years, become an institution of sorts.

On the groceries side, the percentage of those tagging them a good, average, or poor value has varied only slightly during the past five years. This year, 20.2% say groceries are a good value, 65% say they are an average value, and 14.9% say they are a poor value. (Like those for eating out, the poor-value percentage has been dropping steadily over the years.)

Morning, noon and night

Dinner has replaced lunch as the meal most people eat away from home. In the past three years, lunch was the

continued on page 40

EATING OUT ON THE UPSWING

Actions speak louder than words: Consumers say they don't plan on eating out more, but the "yes" figure rises every year. All told, the numbers for present and future remain fairly steady.

	1983	1984	1985	1986	1987
Compared to previous year					
Eating out more	19.7%	28.2%	26.8%	28.3%	32.0%
Eating out the same	49.8	48.0	49.3	48.5	47.6
Next year compared to this year					
Will eat out more	10.1%	12.9%	11.2%	13.0%	12.2%
Will eat out about the same	73.8	71.4	72.6	73.2	73.9

EATING OUT VS. BUYING GROCERIES

The number of those who think eating out is a good value continues to rise, while the number of detractors declines. Feelings about groceries remain about the same.

	1983	1984	1985	1986	1987
Is the cost of eating away from home a . . .					
Good value	8.8%	10.0%	10.6%	12.2%	13.6%
Average value	59.9	60.2	69.6	66.9	71.4
Poor value	31.3	29.9	19.8	20.9	15.0
Is the cost of groceries a . . .					
Good value	17.2%	21.2%	18.0%	21.4%	20.2%
Average value	65.7	63.8	64.5	64.7	65.0
Poor value	17.1	15.0	17.6	14.0	14.9

DAD SPENDS MOST ON MEALS AWAY FROM HOME

Most age groups spend less than $25 a week on meals away from home. Single parents with children spend the least, while two-income couples with no children spend the most per week.

	Male head of household	Female head of household	Children/ Teens	Total household
Under $10/week	35.4%	45.6%	59.2%	23.4%
$10 to $25	40.0	39.8	31.0	33.2
$26 to $50	16.6	10.8	8.5	22.4
$51 to $75	5.2	2.8	1.2	12.2
More than $75	2.8	0.9	n/a	8.8

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TASTES OF AMERICA

WHICH MEAL ARE YOU MOST LIKELY TO EAT AWAY FROM HOME AND WHY?

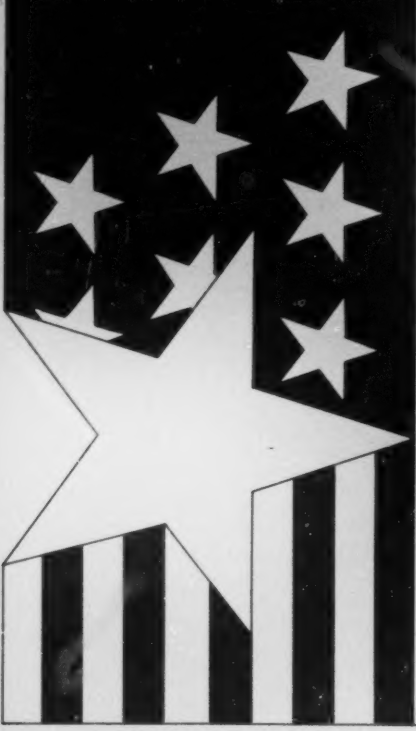
★ Single male, young, low income, Chicago: "Dinner, because that's a social time and because appointments sometimes keep me from making it home after work."

★ Single female, middle-aged, middle-income, New York: "Dinner, because most socializing is done in the evening after work, or on weekend evenings."

★ Single male, low income, Detroit: "Lunch, because when I'm out in the middle of the day, I'll stop and grab a bite someplace."

★ Retired male, middle-income, Port Richey, Fla: "I eat breakfast out at the doughnut shop. I don't eat much lunch, in or out, because I'm on a diet."

★ Older married couple, upper-income, New York: "Dinner, definitely. Especially on special occasions, or if we've just come back from a trip."



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favored meal eaten out most often, with dinner coming in a close second, and breakfast and snack occasions trailing. This year, 74.1% of all respondents say they or members of their family eat dinner out one or more times a week. Lunch comes in at 71.9%.

What people forego at lunch, they make up at dinner. In the competitive '80s, lunch is no longer the proper time to stay away from the office. Many working folk stay at their desks during lunch, or replace eating with a workout. More people socialize after work and on weekend evenings than during lunch. After a harrowing day in the corporate world, couples with or without children want to spend dinner time together and not worry about cooking or washing dishes.

Despite reports that the daypart is foundering, the number of people eating breakfast away from home has been steadily growing. This year, 35.8% said they eat breakfast out at least once in an average week, which represents a 15-point increase over last year. That breakfast may be a business breakfast at a hotel, coffee and doughnuts from a convenience store or muffins and juice from a chain.

Speaking of convenience stores, these newcomers to foodservice have not yet loosened fast-food's hold on American palates. Of the total households completing the survey, 68.3% said they most often eat in fast-food hamburger restaurants.

Coffee shop and family restaurants (48.7%), fine-dining (43.6%), pizza (40.3%), Oriental (31.6%), steak (28.3%), full-service seafood (28.3%), full-service Mexican (24.9%), cafeterias (23.9%) and chicken (23.6%) restaurants finished the list of Top 10 favorites. Country clubs, department stores and convenience stores trailed, although c-stores found a following in the $20,000 to $29,999 income bracket, and department stores found their niche with the $60,000-plus crowd.

Fast food meets the everyday needs of the female and male heads of households and people with children. Special occasions, however, such as a meal with friends or with a spouse, are held at fine-dining or family restaurants.

Households with the highest incomes break the fast-food pattern. Those with an annual income of more than $60,000 a year say they most often take the family to coffee shops, not fast-food places. Why? Parents may think coffee shops, with their expansive menus, offer more healthful fare than typical fast-food outlets.

Older people, too, have their favorites. Older singles prefer coffee shops, cafeterias (good places to socialize, especially in retirement communities) and fine-dining restaurants to fast-food places. Older retired couples say they go to fast-food and coffee shops when they eat out. Older parents go with the

People stay loyal to favorite eateries, though more are trying new places.

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Fast food is tops with singles and families with children.

fast-food trend, followed by family dining.

Regional traditions hold true. Cafeterias, the successful chain concept only now starting to break into Northern territory, and fast-food chicken restaurants scored highest in the South Central area. Mexican and Oriental go over big in the West. Fine dining's hold is strongest in the Northeast (home of New York) and pizza is most popular in the North Central (home of Chicago).

Although most respondents have, through the years, stuck to tried-and-true favorites, the percentage of those trying new establishments continues to rise. The percentage of visits to a "new" restaurant rose to 21.6% of all eating-out occasions this year, up from 19.1% last year. Households that spend more than $50 a week on food away from home and that earn more than $60,000 a year try more new restaurants than those with tighter budgets. Respondents living in the Northeast, an

continued on page 46

FREQUENCY OF VISITING A 'NEW' RESTAURANT

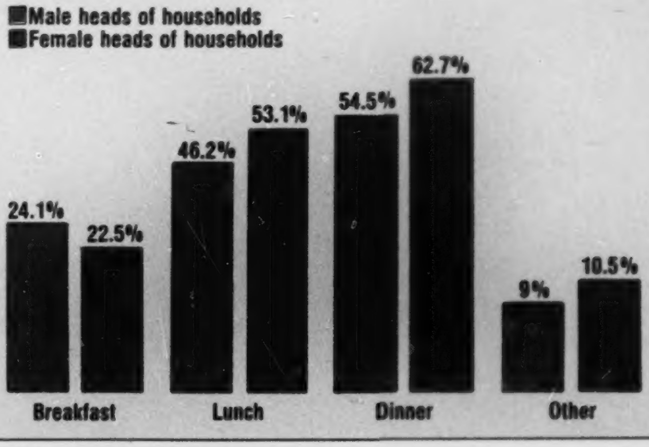
The big spenders and those in higher income brackets tend to be more adventurous. Northeasterners and Westerners try new places, too, because they live in climates where restaurants thrive.

	1983	1984	1985	1986	1987
Total	**18.2%**	**24.0%**	**18.3%**	**19.1%**	**21.6%**
By average weekly household expenditure for meals away from home:					
Under $10/week	16.6%	22.3%	13.7%	14.9%	21.5%
$10 to $25/week	17.3	23.3	18.5	18.5	31.7
$26 to $50/week	16.4	24.2	19.6	16.5	20.0
Over $50/week	20.5	26.7	19.5	n/a	25.2
By region:					
Northeast	22.6%	26.3%	20.9%	18.2%	24.6%
North Central	18.0	23.3	18.2	19.6	20.6
South	15.3	22.7	16.8	18.6	20.3
West	18.1	24.5	18.3	20.4	22.3
By annual household income:					
Under $12,500	n/a	n/a	n/a	18.7%	20.4%
$12,500 to $19,999	n/a	n/a	n/a	19.3	19.7
$20,000 to $29,999	n/a	n/a	n/a	18.1	21.1
$30,000 to $44,999	n/a	n/a	n/a	18.0	22.6
$45,000 to $55,999	n/a	n/a	n/a	21.4	23.4
$60,000 and over	n/a	n/a	n/a	22.8	26.1

DINNER IS MOST POPULAR MEAL FOR EATING OUT

Dinner has eclipsed lunch as the most popular eating-out time, as career people work through or work out during lunch. Breakfast continues to come on strong, as more Americans are eating on the run.

	1983	1984	1985	1986	1987
Breakfast	22.0%	22.4%	24.9%	23.8%	35.8%
Lunch	50.7	72.6	71.5	69.0	71.9
Dinner	64.7	66.2	67.7	66.6	74.1
Other	21.9	27.7	28.7	24.0	16.0



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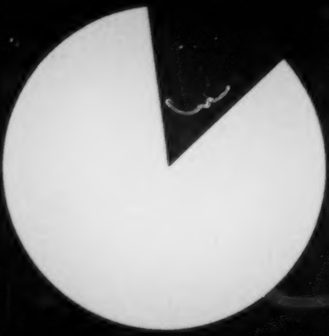
TASTES OF AMERICA

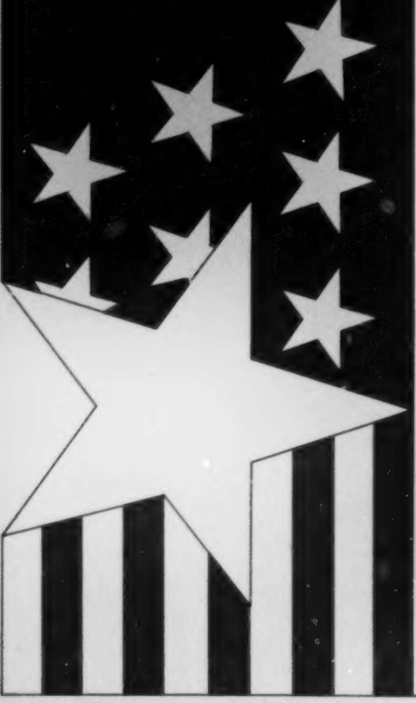
TAKING CARE OF BUSINESS

In 1986, 26.7% of the households surveyed ate a business meal during an average week. New tax laws may have caused the decrease this year.



20.3% eat a business-related meal in an average week.

79.7% do not eat a business-related meal in an average week.



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area which includes the restaurant-laden cities of New York, Boston and Philadelphia, try new restaurants more often than people living in other parts of the country.

Eating for profit

The percentage of those respondents who eat business meals may have peaked last year. In 1986, 26.7% of households said a member eats a business meal during an average week. This year, 20.3% said they eat business meals. New tax laws, or perhaps a trend to talk about business on the boat or the golf course may be responsible for the drop. This portion of the population is in the upper-income brackets: 52.7% of households that make more than $60,000 a year eat at least one business meal a week.

Most business meals take place in a fine-dining restaurant—46% of respondents said that is their venue of choice for such occasions. Those in the Northeast are even more likely to take a client to a fancy restaurant; those in the West are least likely to do so. Perspective may be responsible for this statistic: The West-Coast mentality may prohibit residents from calling fine dining by its name, although check averages probably rival those of New York's best white-tablecloth restaurants.

Western businesspeople are more likely to eat business meals than workers in other regions. The percentage for the West is 29.1%, followed by the Northeast at 22.2%, South Central at 18.1% and North Central at 15.3%.

Most business meals take place in fine-dining restaurants.

BUSINESS-RELATED MEALS BY INCOME

The higher the income, the more frequent the business meals. And most business meals take place at fine-dining establishments.

	Yes	No
Under $12,500	7.7%	92.3%
$12,500 to $19,999	13.4	86.6
$20,000 to $29,999	18.1	81.9
$30,000 to $44,999	24.7	75.3
$45,000 to $59,999	36.8	63.2
Over $60,000	52.7	47.3

Business meals consumed during various dayparts:

Breakfast	51.6%	Lunch	92.4%
Dinner	87.0	Other	19.9

Male heads of households eat more business-related meals than female heads of households, but not many more. Nearly 86% of the males said they eat one business meal a week.

Of the female heads of households surveyed, 84.5% eat a business meal during an average week. Compared to men, women shun morning as a time for business meals; 26.7% of the females said they eat business breakfasts.

Looking ahead

This year, 32% of those surveyed said they are eating out more, 47.6% said they are eating out the same, and 20.4% said they are eating out less. Only young singles (hooked to the VCR?) and retired couples are saying they now are eating out less often.

But saying no to eating out is like making a New Year's resolution: It sounds good, feels good and is soon forgotten. Year after year, the bulk of survey respondents (73.9% this year) say the plan to eat out no more next year than they did this year. Only a small percentage (12.2%) say they will eat out more. Yet every year, the percentage of those who say they are eating out more rises.

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TASTES OF AMERICA

Food preferences: Chicken, fish, hamburgers and breakfast sandwiches gained ground.

Baked potatoes, with a variety of toppings, are a popular entree.

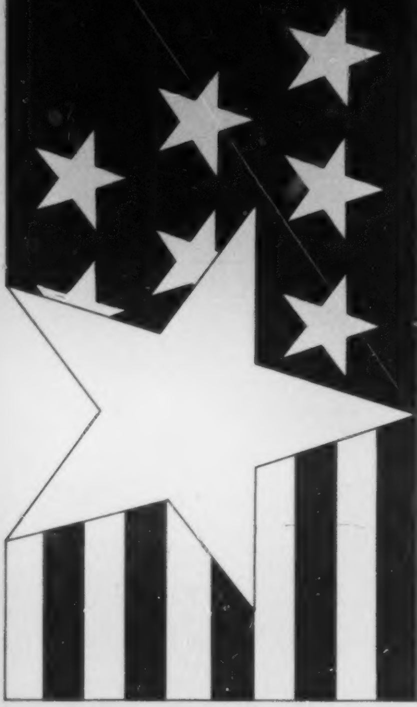
Without question, beef has a loyal clientele. Nearly 69% of consumers responding to *R&I*'s "Tastes of America" survey eat it more than once a month, while only 65% eat chicken that often. On other fronts, chicken pulled ahead. Slightly more people ate chicken than beef last year. Even more significantly, 33.3% are ordering chicken more often this year than last, compared to 19.1% for beef.

Also on the fast track is fish, now accepted almost universally; about 87% of the consumers ate fish at least once last year. Once they try it, they like it, as indicated by the fact that 33.6% are ordering fish more frequently.

Veal and lamb are favored by a small but well-heeled group of consumers. Most people making less than $12,500 a year bypass those meats, but of households earning $60,000 or more, 42.2% ordered lamb and 53.3% ordered veal last year.

They want it fried

Although people might think they're skimping on calories by ordering poultry or fish, their choice of cooking methods might mean the opposite. The five most popular methods of cooking meat require little or no additional fat. In contrast, deep-frying scored highest

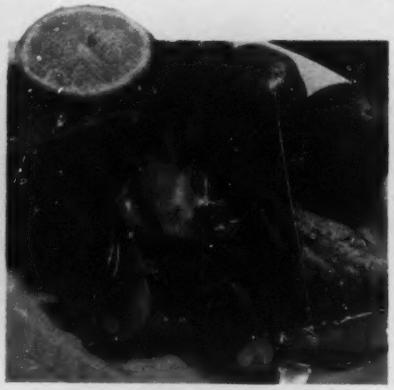


COOKED TO ORDER

Consumers voiced strong opinions about the cooking of their entrees. They'll order meat cooked with little or no additional fat, but deep-frying is preferred for poultry, fish and shellfish.

Poultry		Meat		Fish		Shellfish	
Baked/ roasted	52.4%	Broiled	54.3%	Deep-fried	42.7%	Deep-fried	47.2%
Deep-fried	35.7	Grilled	52.9	Broiled	38.5	Broiled	18.2
Broiled	27.3	Baked/ roasted	39.0	Baked/ roasted	22.3	Stir-fried	13.2
Grilled	21.2	Stir-fried	18.2	Sautéed	17.3	Sautéed	12.6
Stir-fried	17.7	Mesquite grilled	15.9	Grilled	16.5	Poached	5.8
Sautéed	12.0	Sautéed	12.6	Poached	9.5	Baked/ roasted	5.3
Mesquite grilled	7.5	Deep-fried	7.9	Blackened	8.5	Grilled	5.3
Poached	2.8	Blackened	4.7	Mesquite grilled	4.6	Mesquite grilled	2.1
Blackened	2.0			Stir-fried	4.1	Blackened	1.5

RESTAURANTS & INSTITUTIONS



One-third of consumers are eating fish more often these days.

for fish and shellfish and second highest (after baking/roasting) for poultry.

Consumers from the South Central region, home of Cajun cooking, like to eat blackened fish. People from other parts of the country are more adventurous, ordering blackened meat, poultry and even shellfish. Mesquite grilling is also subject to regional taste, scoring highest in the West for everything but fish.

A great way to eat beef, say consumers, is in the form of a patty. All but about 11% of those surveyed ate hamburgers last year, and three-quarters had them more than once a month. Nor is the national appetite for burgers approaching satiation, for well over 25% ate them more often this year. The gourmet burger boom of several years ago shows no sign of rebirth—demand is significantly lower for specialty burgers than for the mass-produced kind.

Nearly 80% of the consumers ordered steak last year, placing it second in the beef category. A special-occasion meat, steak is ordered only half as often as hamburgers.

Seventy-two percent of consumers ate fried chicken last year. Nuggets, which are also fried, scored second. Less than 40% chose the next most popular chicken dish, grilled/broiled chicken. Ranking lowest were chicken wings and patties.

Youth line up for fast food

As a demographic group, young singles show a strong preference for fast food—french fries, burgers and pizza top the list of foods they ordered last year. Middle singles like salads, beef

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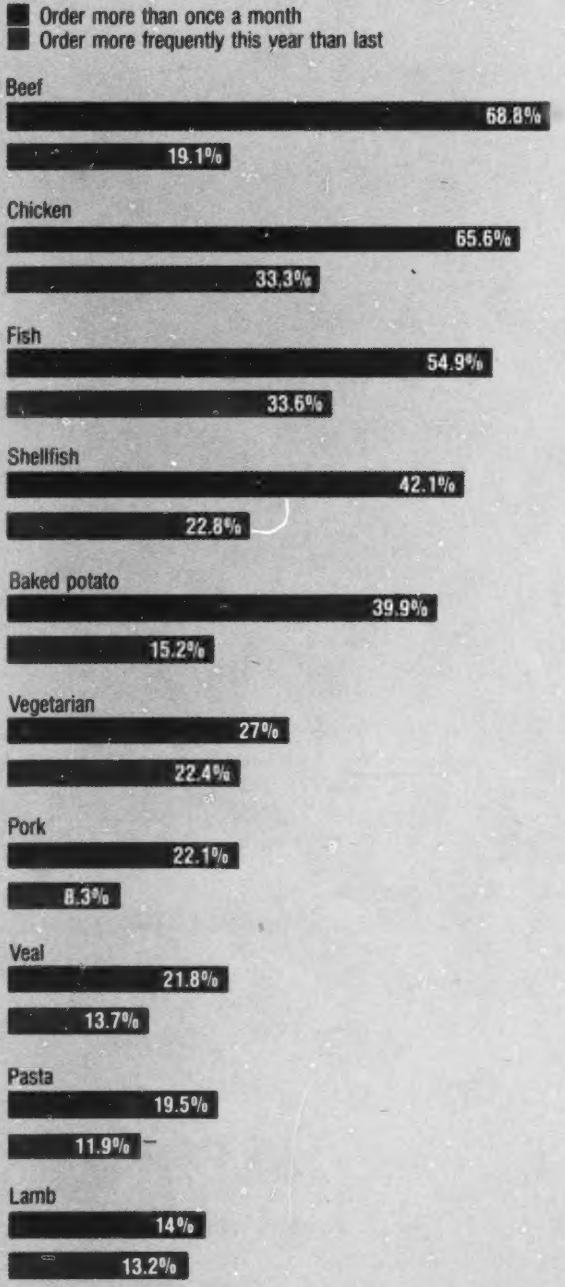
TOP-OF-MIND ENTREES

Month in and month out, beef is ordered most often. But when asked which entrees they're ordering more frequently this year than last, more consumers pointed to chicken and fish. Comers are shellfish and vegetarian entrees; more than 20% of consumers say they're ordering them more often. Baked potatoes remain a popular substitute for animal protein, but future growth in demand may be slow.



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TASTES OF AMERICA

ARE YOU ORDERING ANY MENU ITEMS MORE OFTEN THIS YEAR THAN LAST?

★ Older married couple, retired, middle income, Port Richey, Fla.: "Our ordering habits don't change much from year to year. We're not fad people—our favorite dinner is roast beef."

★ Young family of six, affluent, St. Louis: "My husband is eating more chicken and fish because he has high blood pressure."

★ Young single male, low income, Detroit: "I'm picking up more muffins and breakfast sandwiches on the way to work."

★ Older married couple, retired, affluent, Summit, N.J.: "We're eating more Cajun food—my wife is from Louisiana and it reminds her of home. We're also ordering more fish, Oriental food and gourmet ice cream."

★ Young family of four, affluent, Dallas: "As our children get older, they're moving from hamburgers to chicken and eating more salads."

WHO LOVES ETHNIC FOOD?

As long as it's ethnic, Westerners will order it. Last year they were the most likely to try Oriental, Mexican and French food. Italian was big in the Northeast, and the South Central region voted for Tex Mex.

	Total	North-east	North Central	South Central	West
Italian	70.1%	81.3%	65.7%	63.4%	75.7%
Oriental	62.3	67.6	55.2	57.6	74.3
Mexican	54.9	34.5	56.4	50.8	80.0
Cajun	16.6	12.2	13.8	23.1	13.6
Tex-Mex	15.3	12.9	9.9	22.3	12.9
French	13.8	20.1	8.3	8.8	22.9

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and chicken best, while older singles are fond of chicken and vegetables.

The connection between youth and fast food also holds true for young couples, who are most likely to order pizza, chicken and french fries. The ordering patterns of older working couples, on the other hand, reveal an emphasis on salad, chicken and fish.

The tendency of people to lighten up their diets as they grow older is less clear cut in the case of families with children. For parents of all ages, hamburgers were among the top three foods their families ordered last year; pizza and french fries were popular, as well. But the families also ordered fish and salads. The data suggest different eating habits within the same family, with the children ordering fast food and the parents opting for lighter entrees.

Italian tops the ethnic list

More than 70% of the survey respondents ordered Italian food last year. Home delivery and takeout ranked high for this kind of ethnic food, reflecting the continuing popularity of pizza.

Oriental food was a strong second—62.3% ate it last year—and, again, consumers often chose delivery or takeout. The consumer's perception that pizza and Oriental food hold up best to a delay between ordering and consumption may be boosting total orders for these ethnic food categories.

Twenty percent of "Tastes of America" consumers say they're ordering more Oriental food this year than last and, at 19%, Cajun wasn't far behind. Although interest in Tex-Mex has flagged, people are showing a lively interest in Mexican specialties. If Western tastes are the harbinger of the future, watch for growth in takeout sales for Mexican food; 33% of Westerners took it out last year.

French food continues to hold a small but elite corner of the ethnic food market. Despite all the news about moderate-priced bistros, much of the public still thinks French food is beyond their means. Only 7.7% of people with incomes below $12,500 tried French cuisine last year, compared to 35.6% of those whose incomes exceeded $60,000.

In terms of specific ethnic foods, pizza was the clear winner More evidence of pizza's high convenience rating: Nearly half of the people who

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Convenience and good taste keep pizza orders coming in.

TASTES OF AMERICA

DO YOU USUALLY ORDER DESSERT?

★ Young single male, low income, Detroit: "Sometimes. I'm more likely to order it at higher-dollar establishments. It's more relaxed."

★ Young family of six, affluent, St. Louis: "We always order dessert, except in fast-food or Oriental restaurants. My favorites are cheesecake and cheese with fruit."

★ Older married couple, retired, affluent, Summit, N.J.: "We eat dessert at home, but not when we eat out. Restaurants serve such large portions that we don't have room."

★ Young family of four, affluent, Dallas: "Sometimes the children order ice cream. My husband and I order dessert only when it's a fancy restaurant."

★ Older married couple, retired, middle income, Port Richey, Fla.: "A meal isn't complete without dessert. My favorite is some kind of pie, usually without ice cream."

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ordered pizza last year had it delivered. About a quarter of the respondents had tried gourmet pizza, but they must not have been very impressed; only 10.9% are ordering it more often, compared to 31.7% for the pizza segment as a whole.

Pizza consumption is consistently high throughout the country and some Mexican foods also are on the way to becoming mainstream menu items. More than 40% of respondents ate taco salads last year, with consumption lagging only in the Northeast.

Demand for other ethnic foods varies significantly according to geographic region. In the western part of the South Central region, for example, 45.8% of consumers counted fajitas among last year's food experiences; in contrast, only 5.4% of New Englanders had tasted the Tex-Mex invention.

Steady growth for diet and decaf

More people drank soft drinks than any other beverage last year: 75.4%, followed by iced tea at 66% and regular coffee at 63.8%. Young people are especially fond of the fizzy stuff. Even diet soft drinks, which might seem to be the natural accompaniment to the salads and other low-fat items favored by older people, are more acceptable to the younger generation.

Better than 20% of the consumers are drinking more decaffeinated coffee —about twice the percentage that have upped their consumption of regular coffee—and people expressing that preference are concentrated in the middle to upper age ranges. This finding is reinforced by a National Restaurant Association survey concluding that older people try harder to avoid caffeine.

Decaf appeals to older customers, soft drinks to younger ones.

Remember when wine was an esoteric drink ordered only by sophisticated diners? Last year, 44.1% of the *R&I* consumers ordered wine—a higher percentage than for any other alcoholic beverage. Capturing 42.8% of positive responses, beer and spirits tied for second place. But people still order wine a little less frequently than the other two alternatives—it's more of a special-occasion drink. Don't expect much of a climb in beverage sales; fewer than 10% of the consumers are ordering any alcoholic beverage more often this year.

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THREE BIG BEVERAGES

Soft drinks are the preferred beverage of the younger generation. Interest in iced tea and coffee peaks during the middle years, then declines as people monitor their caffeine intake more carefully.

Percentages below refer to beverages ordered by the head of household.

Soft drinks		**Iced tea**		**Regular coffee**	
under 30	90.0%	under 30	67.0%	under 30	56.0%
30-39	87.4	30-39	73.5	30-39	62.3
40-49	83.2	40-49	63.1	40-49	68.5
50-64	73.2	50-64	70.7	50-64	71.3
65 & older	46.1	65 & over	55.3	65 & older	57.4

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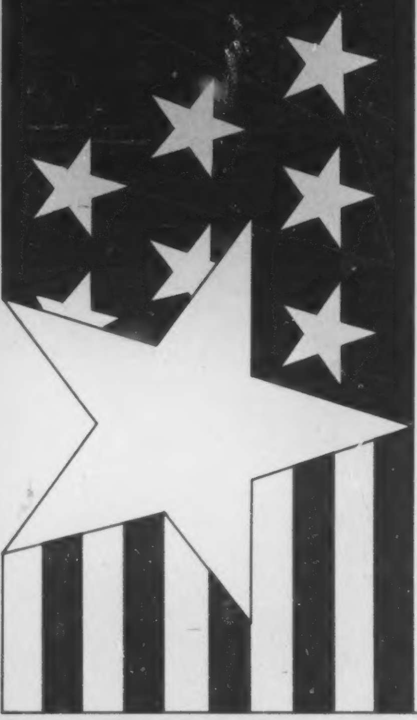
TASTES OF AMERICA

TAKING SIDES

Which side dish do Americans like best to accompany an entree? The people's choice would make their moms proud: vegetables. And they made no bones about liking their potatoes baked.

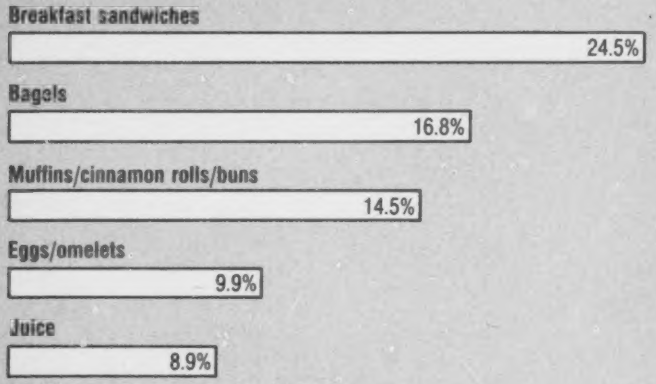
Vegetables	79.1%
Baked potato	79.0
Fruit	47.5
Rice	42.2
French fries	39.2
Pasta	24.3
Potatoes (prepared other ways)	21.0
Stuffing	17.0



BREAKFAST ON THE RUN

Americans are discovering that they can eat a breakfast sandwich with one hand, while driving with the other. Growth potential is excellent, for only 43% of "Tastes of America" consumers have tried this item.

Order more frequently than last year



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Breakfast, sides and sweets

To start their day, many people continue to eat the classic American breakfast—two-thirds ordered eggs last year, while half ate muffins, cinnamon rolls and buns.

But they're also learning to put it all together in the form of a breakfast sandwich, which is far easier to pick up at a takeout counter or drive-thru. The sandwiches are particularly well-liked by the young, suggesting a tie-in with the popularity of soft drinks among this age group.

Vegetables are popular not only in entrees, but on the side. In general, enthusiasm for vegetables correlates to higher household income. The myth that pasta is a yuppie food may contain some truth, for 40.4% of people making over $60,000 a year ate it last year, compared to only 17.8% of those earning less than $12,500. On the other hand, people earning a modest income were almost twice as likely to choose stuffing as a side dish.

About three-quarters of the consumers succumb to the urge to eat dessert at least once a year. In general, older consumers are more likely to skip dessert; only 60.3% of households in which the head was over 65 years of age ordered dessert in restaurants last year, compared to 82% of the under-30 set.

Single people follow this pattern most closely, phasing out dessert as they grow older and, presumably, more weight-conscious. But a high proportion of older working couples and parents continue to order dessert in restaurants—perhaps to pamper themselves during moments of respite from the pressures of working and raising a family. People who eat out frequently or eat business-related meals are also more likely to indulge themselves with a sweet at the end of the meal.

The breakfast sandwich: Served on a plate or in a fast-food bag.

TASTES OF AMERICA

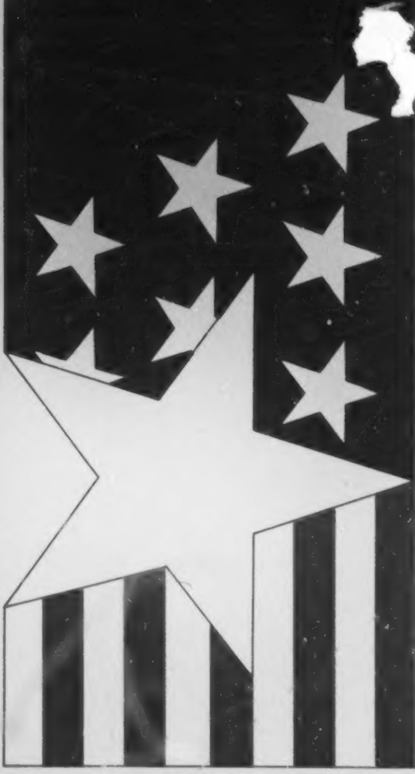
Consumer attitudes: Diet remains a dilemma, while shifts toward convenience continue.

Almost 20% fewer survey respondents than last year report being more concerned with nutrition.

In this era of movers and shakers, this period of increasing consumer sophistication, this age of information, foodservice has had to adjust.

No longer is dining out considered just a luxury or a special occasion. It has become a way of life. And because consumers have become so comfortable with that notion, they have also become more demanding. Convenience, speed of service, quality, comfort and concern are what the customer expects.

This year's "Tastes of America" survey also asks consumers why they eat out, what influences their choices, what irritates them and in what ways their ordering habits have changed.



The diet dilemma

Do Americans want to eat smart when they eat out? Or do they just want nutritious options to satisfy their guilty consciences? After studying survey results, the answers to these questions remain clouded.

Compared to 1986 results, 19% fewer respondents are concerned with nutrition. Does that mean they are not as concerned about what they eat? Or does that mean they now know how to maintain a healthful diet and do not have to give it as much thought? Or maybe consumers feel that operators are more health-conscious and can count on more healthful options and more nutritious cooking techniques.

Fully 21% fewer respondents are eating smaller portions and 27% less are eating fewer meals. But at the same time, 17% more respondents say they are ordering appetizers and salads as a meal rather than ordering entrees. Confusing?

The survey also shows nutrition concerns are highest among households with annual incomes over $60,000. Smart money must make smart eaters because concern drops 15% to 20% among those in the $45,000 to $59,999 income group. Concern is below average in the Middle Atlantic region and, surprisingly, in the Pacific region where sprouts and tofu gained their prominence. But perhaps concern is not as great there because consumers know they can expect healthful options when they dine out.

The survey also reveals that young singles, who work out more often and have yet to experience the midsection spread, show the least concern for nutrition. Also, singles eating smaller portions falls 40% below average. But singles who say they are eating fewer meals are more than 50% above the average survey result.

It appears that advertisers of fast food and sweets are doing a good job reaching children. Among married couples working full-time, 38.9% with children under 19 are concerned with nutrition, compared to 65.9% for working couples without children.

Convenience crazy

Growth in takeout, drive-thru, supermarket deli and home-delivered prepared food continues unabated in the foodservice industry.

Drive-thru sales show the biggest increase in this year's "Tastes of America" survey. When asked if they have purchased ready-to-eat food in the past month, 57.8% of the respondents reported using a drive-thru, compared to 48.4% in 1986. Takeout remains the overall leader at 63.4%, up from 62.4% in 1986. Home delivery jumped from 19.6% to 24.7%. Supermarket deli purchases increased from 42.6% to 43.2%, while those buying prepared food at a gourmet shop in the past month increased from 7.7% in 1986 to 9.6% in 1987.

The convenience orientation appears to be lagging behind in the Northeast. The tradition of sitting down to eat as a family or couple appears alive and well there. When asked if they have purchased ready-to-eat food in the past month, consumer answers are below the average for takeout, drive-thru and delivery. However, this densely populated area does make more frequent purchases at convenience stores.

In the North Central and South Central regions, where the climates are extreme, consumers seem to favor drive-thru systems, as 65% report purchasing there in the past month vs. a 58% average. Out West, where the trends of tomorrow start, consumers favor supermarket delis and gourmet shops. Fifty-one percent in the Mountain region have made supermarket deli purchases in the past month, compared to a 43% average. In the Pacific region, 14% of consumers have visited gourmet shops in the past month, while the average stands at 9.5%.

Time is money, more so among afflu-

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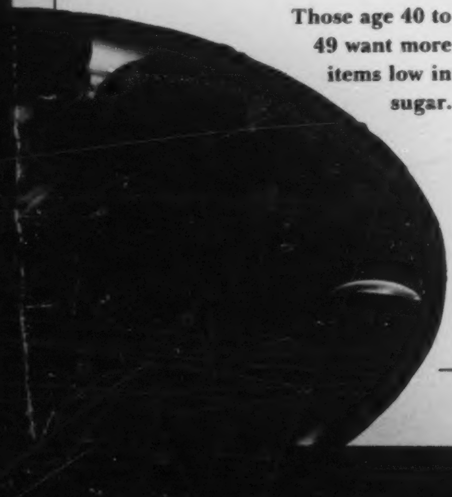
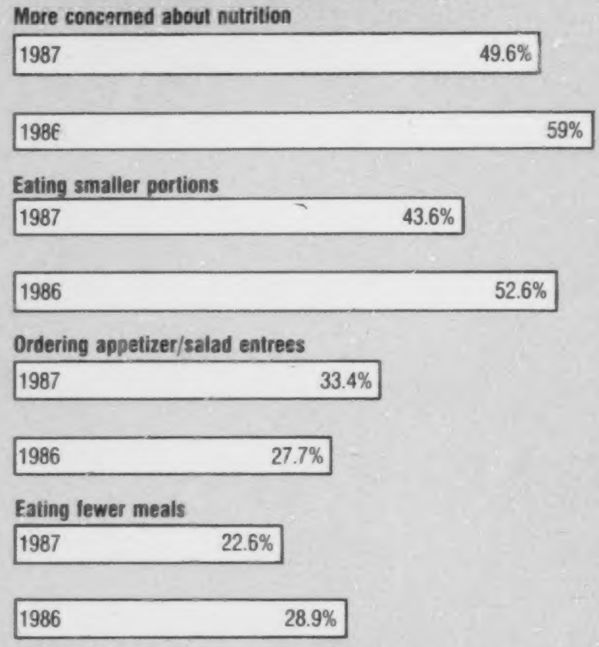
Those age 40 to 49 want more items low in sugar.



THE DIET DICHOTOMY

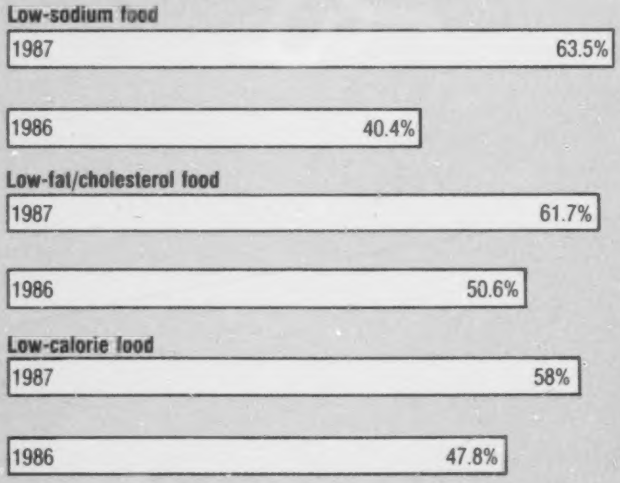
Are American consumers more concerned about nutrition? All the latest surveys would indicate "yes." But there is a minority who say the nutrition trend is more lip service than fact. From results of the "Tastes of America" poll, maybe they are right.

How eating habits have changed in the past year.



But consumers increasingly feel operators should offer more nutritious food. They do want the option.

Which items should restaurants offer customers?



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TASTES OF AMERICA

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ent consumers. This group has really taken to the convenience craze, scoring above-average monthly visits in all categories. Fully 71% report buying takeout in the past month.

The survey also asks how consumer ordering habits have changed in the past year. The results are as follows: 24.8% are buying more prepared food at the supermarket deli/salad bar; 20.4% are purchasing more food for takeout from restaurants; 10.5% are ordering more food for home delivery; 7.3% are buying more ready-to-eat food bought at convenience stores; and 5.3% are buying more prepared food at gourmet shops.

The restaurant industry's latest competition, the microwave oven, continues to score points with consumers, especially as food manufacturing operations improve the quality and quantity of microwavable products. Thirty-seven percent of survey respondents report preparing more frozen entrees in a microwave at home. That figure jumps to more than 40% on the West Coast and 48% among respondents earning

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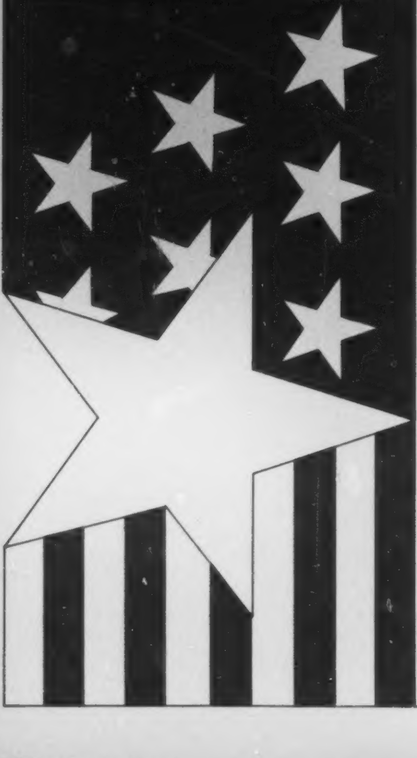
Place Order Here

Purchases for takeout from restaurants are strongest in the South Central region.

HOME DELIVERY DRAWBACKS

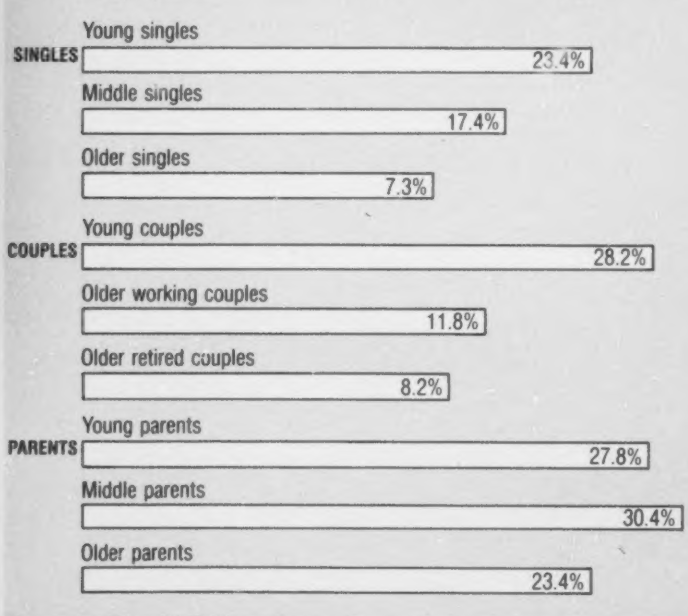
Consumers indicate what type of home delivery problems they have experienced most often.

Never experienced problem	43.8%
Delivery too slow	27.4%
Cold food	24.2%
Prices higher than restaurant	24.0%
Not enough menu variety	11.3%
Hidden delivery charge	8.0%
Container falls apart	5.7%



WHO ORDERS FOOD FOR TAKEOUT?

Middle-aged parents, a group likely to be a double income-producing family, reported purchasing more takeout on a monthly basis than any other group of consumers.



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TASTES OF AMERICA

HOW HAVE YOUR EATING HABITS CHANGED IN THE PAST YEAR?

★ Older, married couple, affluent, New York City: "Because many restaurants serve such large portions, we are more careful about how we order. Now we may skip a course."

★ Middle-age, single, female, middle income, New York City: "I'm eating lighter meals and more salads. I have a daughter who is extremely weight-conscious so we pay more attention to calories and nutrition."

★ Retired couple, fixed middle income, Port Richey, Fla.: "We eat quite a few prepared foods at home. We're getting about the same amount of takeout. I like to pick up Chinese or pizza—we don't get it delivered. Once in a while I get eggplant Parmesan from the pizza place."

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more than $60,000 a year.

I know, let's go out

As the number of single adults continues to grow and with the growing need for double-income families to make ends meet, the increasing answer to the question of what to do for dinner, or even breakfast and lunch for that matter, is "Let's go out." When the survey asks what is the main reason why consumers go out to eat, the No. 1 answer is because they do not want to cook.

More than 68% of the respondents in the $60,000-and-over income bracket give that response, compared to 49% in the under-$12,500 bracket. When measuring household size, 73.5% of families of four do not want to cook, compared to 60% for families of five or more. Only 38% of older-singles cite not wanting to cook as their motivation to eat out.

Convenience ranks fourth among reasons why consumers eat out. It is a driving factor among young singles and heads of households age 30 to 39. But convenience is key for only 23% of older singles and retired couples.

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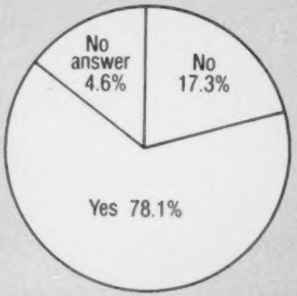
INCREASING PRESSURE

Most consumers are interested in ingredient labeling at fast-food restaurants. The greatest concern comes from Middle-Atlantic residents, the least from Mountain region residents.

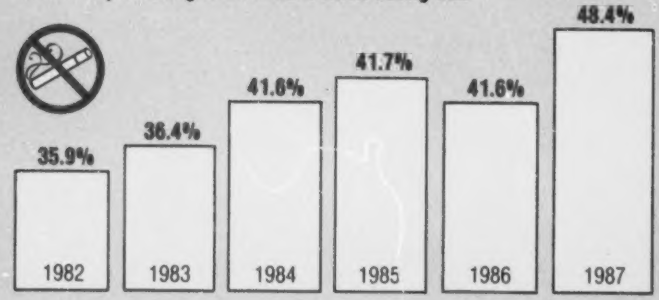
Should ingredients be listed for foods bought at a fast-food chain?



THE SMOKING ISSUE

Smoking is becoming an issue with consumers, and between local governments and operators. It remains the No. 1 irritant to consumers in the Mountain region of the country and to those between 30 and 39 years old.

% who say smoking is an irritant when eating out.



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TASTES OF AMERICA

HOW HAVE THE ORDERING HABITS OF MEMBERS OF YOUR HOUSEHOLD CHANGED?

★ Middle-age, family of four, affluent, Dallas: "With the kids getting older we are eating more 'grown-up' foods. We are having pizza delivered more often now."

★ Young, single, male, low income, Chicago: "I'm eating more supermarket deli salad bar meals."

★ Young, single, male, low income, Detroit: "I'm ordering more takeout because it's convenient. Since I'm in school and have to prepare my own meals, takeout has become an attractive alternative."

★ Middle-age, family of six, middle income, St. Louis: "We don't buy prepared food at the supermarket or convenience stores. We do microwave products, but we don't buy things specifically for the microwave."

continued from page 82

When it comes to choosing a restaurant they have never been to before, consumers show a lack of trust in advertising claims because 65% of the survey respondents say they are influenced most by suggestions of a friend or family member. A friend's recommendation is most important to 71% of young singles and 75% of those who spend more than $50 a week dining out.

The adage about word-of-mouth being the best form of advertising is true more than ever today. A restaurant's reputation is becoming increasingly important to consumers choosing a new restaurant. This year, more than 45% say reputation influences their decision, compared to 27% in 1986. Reputation is important to 60% of respondents living in the Southeast, compared to 35% in the Mountain region.

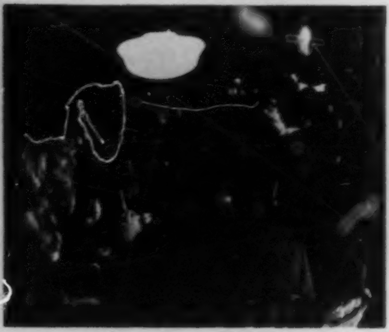
Interest in coupon-clipping remains strong as 30% say coupons influence new restaurant choices, compared to 19% for price discounts. Coupons are most popular among economically strapped heads of households aged 50 to 64 and single parents with children under 19.

Since restaurant reviews tend to concentrate on upscale operations, they influence just 14.4% of the total response. More than 30% with incomes greater than $60,000 are swayed by reviews. But reviews are important to only 8.4% with households of five or more and 7.3% of older singles.

Also, about 10% of the respondents say a choice of a new restaurant is influenced by a television advertisement where they can see the product, compared to only 4.3% for a radio ad.

Where there's smoke, there's fire

Once a restaurant captures customers, the next important task is getting them to come back. Catering to their needs and making sure irritations are kept to a minimum is paramount to success. And surprisingly, young customers are irritated much easier than their elders.



Young couples are the most likely group to try a new restaurant.

Compared to a 43% average, only 24% of retired couples will eat out for the convenience.

While smoking continues to be the greatest nuisance to customers, noise and loud music, price/value, and rude or unfriendly personnel rank close seconds.

Smoking is most offensive to "back-to-nature" Mountain region respondents (61%). Almost 65% of young singles are irritated by smokers, compared to only 40% of middle singles and 44% of older respondents, who grew up when smoking was more acceptable.

The younger the respondent, the more cost-conscious and the greater concern with price/value. About 57% of heads of households under age 30 are irritated by high prices, compared to only 34% of those over age 65. Price/value also increases in importance as income level rises.

Rude and unfriendly personnel bothers 66% of young customers, compared to only 20% of older customers.

Some characteristics that do not bother customers as much in 1987 as they did in 1986 include: waiting in line for food (26.9% vs. 36.4%); lack of cleanliness (25.1% vs. 40.4%); portions too small (18.4% vs. 23.4%).

RESTAURANTS & INSTITUTIONS

Now the return of
savor Golden Pan Pizza.
Reap that great whole wheat taste.

Golden Pan Pizza is back.

stitutions' "400," Wendy's last year had about a $500 million lead on Hardee's.

It's Back: Golden Pan Pizza Returns to Pizza Hut

Like wheat fields in late summer, some Midwestern Pizza Huts have taken on a golden color. Golden Pan Pizza, the chain's product variation with the whole-wheat crust, has again appeared on menus.

This marks the second time Pizza Hut has brought out the specialty pizza. "By and large, we've decided that it's similar to a Taco Pizza or a Barbecue Pizza," says Mike Jenkins, Pizza Hut director of public relations. "What we'll do is bring it out for a limited time and get the initial sales bumps. When sales level off and get to the point where it doesn't make sense to keep it any more, then we'll take it off."

Because Pizza Hut describes the pizza varieties as limited-time offerings, Jenkins says the chain has not experienced any backlash from removing the products from the menu.

He says in areas where Taco, Barbecue and Golden Pan Pizza do very well, there is the option to keep the product on the menu after the intended time deadline expires.

Bakers Square Adds More Pitas to the Fold

The chain best known for its pie has expanded its line of pita sandwiches. Bakers Square has brought out the Chicken Fajita Pita, Philly Beef Pita and the Stir Fry Shrimp Pita.

Bakers Square, which is owned by Vicorp Restaurants Inc., Denver, had been featuring its hamburgers—Burgers for Grownups—during the summer. *—Brad Stratton*

■ R&I DATA

AVERAGE MENU PRICES: SANDWICHES MEATIER

R&I tracks average selling prices for a variety of menu items at restaurants across the country. The latest survey results show the average price for sandwiches up almost 20% over the past six months. But the price of chicken patty sandwiches has fallen as much as 20%.

Item	Full service	Fast food	Hotel/ motel	North-east	South	North Central	West
Beverages:							
Coffee	$.55	$.51	$.87	$.62	$.62	$.67	$.67
Iced tea	.64	.65	.93	.81	.69	.76	.73
Soft drinks	.67	.67	1.01	.87	.69	.78	.76
Beer	1.25	1.18	1.96	1.75	1.55	1.67	1.63
Wine (glass)	1.51	1.50	2.36	1.96	2.19	1.85	2.09
Sandwiches:							
Hamburger	2.60	1.49	5.03	3.34	2.68	3.30	3.58
Cheeseburger	2.88	1.71	5.24	3.53	2.70	3.61	3.76
Ham & cheese	2.60	2.54	4.57	3.54	2.70	2.68	4.21
Club	3.77	3.66	5.35	4.75	3.74	4.97	4.80
Fish	2.56	1.95	4.50	2.75	2.77	2.20	3.63
Chicken patty	2.54	1.97	4.12	2.34	2.85	2.94	2.93
Other:							
Chili	1.64	1.44	2.66	1.92	2.00	1.53	1.67
French fries	.88	.78	1.11	1.03	.86	.90	.93
Scrambled eggs	1.32	1.27	3.34	2.22	2.42	2.03	2.75

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■ TESTINGS

Wyatt Cafeterias' first carryout shop is doing outstanding business. Debra Hand, director of marketing for the Dallas chain, says the Fort Worth, Texas, location is especially well-suited for carryout. Additional Wyatt's Carry-Out Food Shoppe units, which are located within regular Wyatt Cafeterias, are being considered. The Fort Worth site also is being used to test Wyatt's Blue Bell Ice Cream Stand, which offers both dine-in and carryout ice cream. The chain has 118 cafeterias in nine states.

Spangles is testing the Vanilla Delights and Sundae Bar in its 10th store, which is located in Wichita, Kan. The bar comes with vanilla ice cream and a choice of 10 toppings. A Vanilla Delight is ice cream without toppings. The toppings include crushed Oreo cookies, small chocolate chips and strawberries. The company reports the bar has been popular both during and between meal periods. *—B.S.*

R&I DATA

FOOD COST INDEX: THE YEAR ENDS WITH PRICES RUNNING MIDDLE OF THE ROAD

Market-basket total for December is $105.93, down almost 3% from November and about 4.5% from October. Chicken prices are at their lowest in four months. Lettuce, at 61 cents for a head of iceberg, equaled its highest cost since June 1986. Coffee prices, at $2.46 a pound, are the lowest since April 1986 when the price was $2.72 a pound.

		% change	
	12/87	11/87	12/86
Hamburger (lb. 85% lean)	$1.29	1	2
Chicken (lb. cut for frying)	.75	-24	-22
N.Y. strip steak (lb./avg.)	3.42	20	-6
Bread (Pullman loaf)	.77	-9	0
Lettuce (iceberg/head)	.61	5	5
French fries (30 lb.)	11.21	-6	-3
Tomatoes (lb.)	.55	6	-2
Milk (gal.)	1.82	5	4
Eggs (doz.)	.70	17	-5
Peaches (case/#10)	18.86	8	8
Peas (case/#10)	11.20	-5	4
Frozen beans (30 lb.)	14.83	-14	-4
Ice cream (vanilla/gal.)	3.37	8	3
Butter (lb.)	1.80	16	7
Cheddar cheese (lb.)	1.61	-2	-9
Sugar (100 lb.)	29.20	-5	-4
Coffee (lb.)	2.46	-10	-25
Breaded fish portions (lb.)	1.48	-2	0

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FOOD PRICE UPDATE

Let's Talk Turkey . . . and Other Food News

Turkey supplies up; new pork test approved; fishery officials meet.

Turkey supplies are up and prices are favorable for operators. In some areas the price is between 59 and 69 cents a pound.

"More Americans are consuming turkey than ever before," says Merv Amerine, manager, California Turkey Industry Board. Last year, Americans ate an average of 13½ pounds of turkey meat per person. U.S. Department of Agriculture economists predict that turkey consumption will increase to a hefty 15.6 pounds per person next year, and growers expect the supply to grow 11% to meet the increased demand.

In other news . . . USDA has approved an at-plant method to attain trichina-safe pork. According to the *Pork Report*, the approved use of the ELISA test by the general packing industry represents a significant step forward in the discovery of the actual prevalence of trichina (a worm whose larvae can cause trichinosis) and its eventual eradication. Although the incidence of trichina infection in hogs is rare, what trichina costs U.S. pork producers in terms of consumer doubts and confusion is incalculable. . . . **Officials of three** of the world's largest fisheries associations met Sept. 22, in Orlando, Fla., to discuss international fisheries and environmental issues.

Ron Bulmer, president of Fisheries Council of Canada and Yoshihide Uchimura, president of Japan Fisheries Association, met with Robert Brubaker, president of the National Fisheries Institute of the United States, to explore means of improving communications.

The unprecedented meeting is viewed as a preliminary stage to the organization of an informal coalition of fisheries associations throughout the world. Issues of particular importance to all fishing industries include pollution, selectivity of fisheries technology, marine mammal protection and other uses of the oceans.

—***Kathleen Marshall***

Turkey supplies are expected to be 11% higher than last year.

■ NUTRITION REPORT

More Men Using Low-Calorie Products to Reduce Weight

Men cite desire for healthful life style as reason for using sugar substitutes.

Although the popularity of low-calorie products has been growing rapidly since the '60s, when millions of Americans first became interested in fitness and a healthful life style, the ranks of the calorie-conscious have grown in even greater numbers during recent years.

Of the 78 million adult Americans using low-calorie foods and beverages, more than half began using these products within the past five years. One-third began consuming these products during the past three years, according to a national survey recently conducted by the Calorie Control Council.

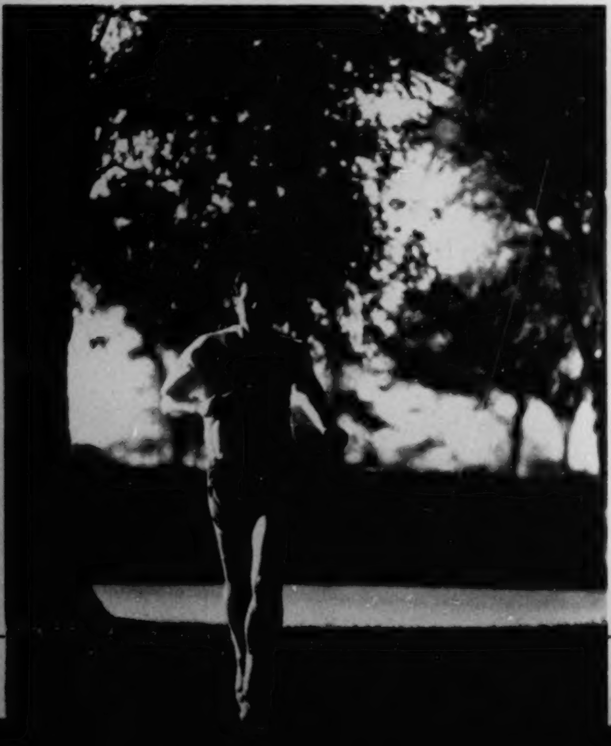
One of the primary reasons for the increase is that more and more men are being drawn into the low-calorie fold. About six out of 10 male consumers of low-calorie foods and beverages began using these products during the past five years. By comparison, the majority of female consumers began using low-calorie products five or more years ago.

Of the total consumers who began using these products during the past five years, nearly half are men. Only 30% of those who began using these products five or more years ago are men.

The survey shows that the recent converts to the diet market are more likely to be consuming sugar-free gum or candy and sugar-free powdered drink mixes. Those with a longer history of low-calorie product use are more likely to be consuming sugar substitutes as tabletop sweeteners.

The more recent consumers of low-calorie products have virtually the same reasons for using these products as those with a longer history of use, according to the survey. Primary reasons are to stay in better overall health and to reduce weight.

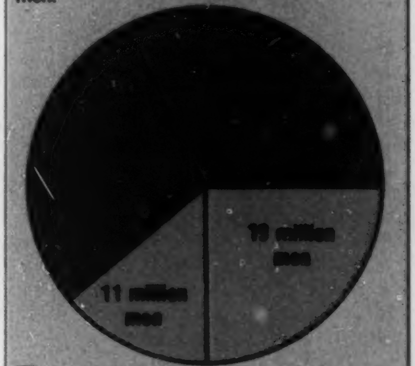
The research findings are based on projections from a national opinion survey of 1,402 individuals 18 and over. Booth Research Services Inc. conducted the survey in June 1986 for the Calorie Control Council.



Nearly half of the converts to sugar-free products within the past five years have been men.

MORE MEN STARTING TO SEE THE 'LITE'

Of the 78 million adult Americans who consume low-calorie foods, 53% began using these products within the last five years; 46% of these recent converts to the diet market are men.



■ Those who began consuming low-calorie foods and beverages during the last five years

▨ Those who began consuming low-calorie foods and beverages more than five years ago.

Source: Calorie Control Council 1986 National Survey

ACTION EXPRESS

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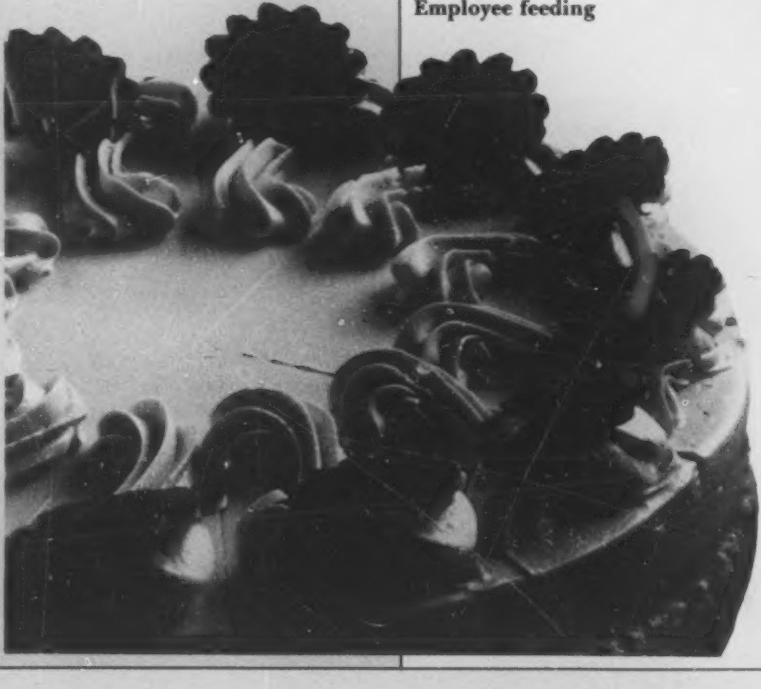

R&I EXCLUSIVE

■ FOODSERVICE MARKET

1988 ANNUAL FORECAST

While overall economy remains uncertain, industry shows strength and vitality. Look to real growth of 1.9% on sales of $207 billion.

In light of last October's Black Monday on Wall Street, any forecast about foodservice growth in 1988 has to be tempered with caution. We are in the midst of an uncertain world and a national economy that has most experts hedging predictions while leading business journals cite a host of factors to explain the year-end downturn and possible repercussions this year.

The Wall Street Journal speaks of "hazardous forecasting"; *Business Week* asserts America has "spent too much, borrowed too much and imported too much." Others see the major issue as a "battle between government deficits and Wall Street." Some focus on the fact that the GNP has grown only 3% at the same time the dollar has dropped 40% in value, effectively erasing any real gains. On the bright side, *Fortune* believes "a brisk business in basics will help keep profits growing decently" and thinks one positive benefit will be a paring of the domestic and trade deficits. Surveys of corporate CEOs show more than 50% predict 10% higher profits for their companies and the Dow Jones Industrial Average rising again to 2500.

Stock analysts like those at the Prudential-Bache Strategy Group are "not looking for a recession." Bache restaurant experts feel fast-food companies are far less vulnerable than auto manufacturers. They also predict that McDonald's, which went from $60 to $36 a share during the October crash before beginning to climb again, will show 1988 earnings per share of $3.45.

Whatever factors operators key on, there are definite reasons to be optimistic.

First, historical trends remain with the industry, as it shows real growth for the seventh consecutive year. *R&I*'s final estimate for 1987 is a stronger than expected +2.5% on total sales of $195 billion. Add to this our prediction of 1.9%

F&B SALES EXPECTED TO TOP $200 BILLION IN 1988

Despite the unstable stock market, the sagging dollar and burgeoning federal deficit, the U.S. economy remains basically strong and the leading indicators are expected to stay positive for much of the year. *R&I* expects the foodservice industry to follow the broader market and show real sales gains in 1988, with food and non-alcoholic beverage sales alone passing the $200 billion mark for the first time. Discounting inflation for food away from home, which *R&I* has pegged at 4.2% this year, the industry is expected to show 1.9% real sales growth.

*preliminary **forecast

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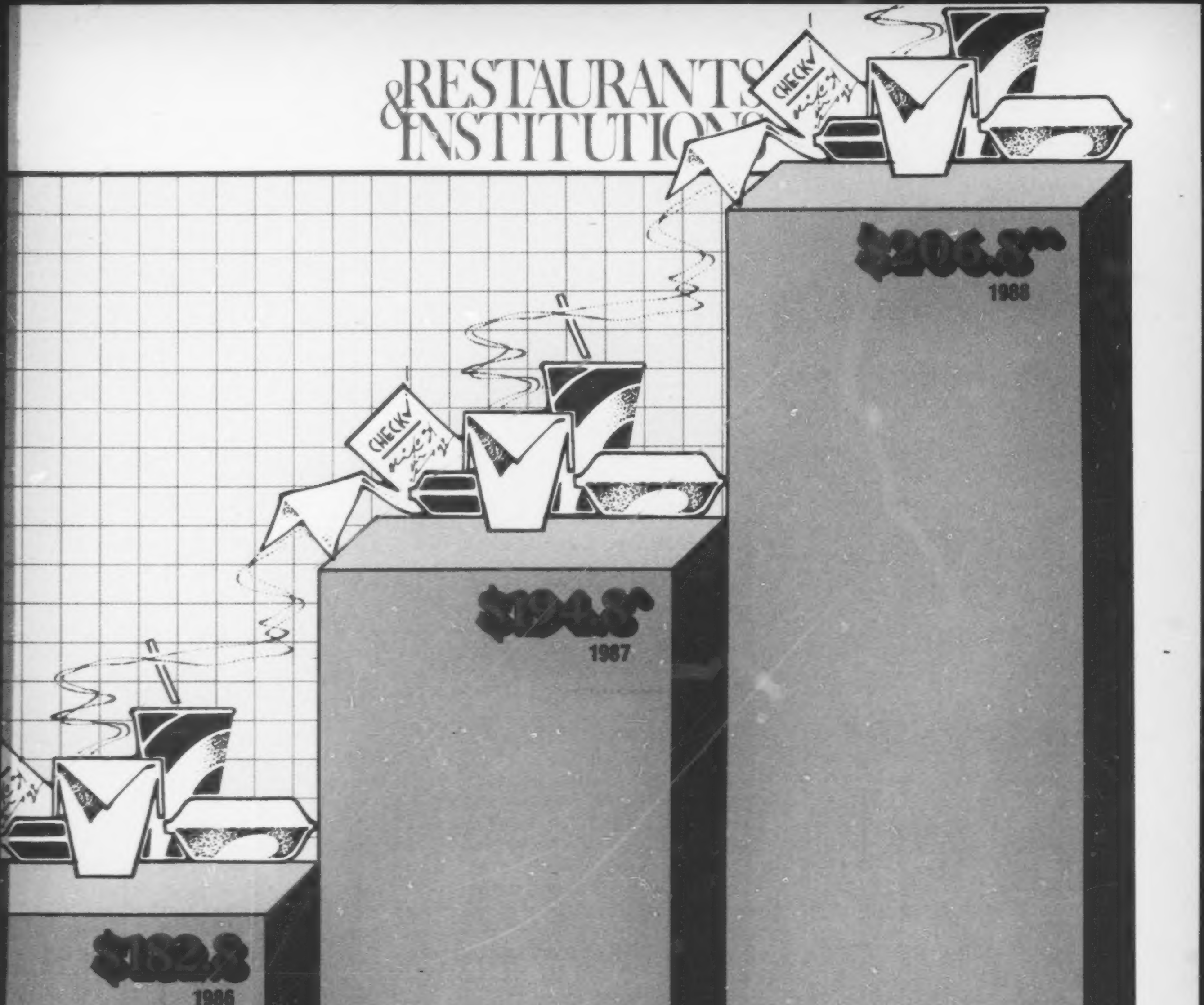
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$194.8*
1987
$206.8**
1988
Beverage alcohol sales $22.9
Beverage alcohol sales $24.2*
Beverage alcohol sales $25.7**

1988 ANNUAL FORECAST

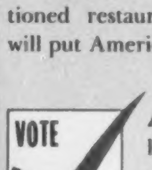
SEASONAL OUTLOOK

Foodservice is a seasonal business, affected by both weather and consumer confidence. Here's how 1988 looks:

Winter: Both the woolly caterpillar and weather watchers agree a hard winter is likely. The result? Traffic counts could slip if icy winds cause customers to huddle around the family hearth. Concurrently, memories of Black Monday will still cause shivers in corporate board rooms, leaving expansion plans frozen.

Spring: Consumer confidence will begin to thaw as better economic news blossoms. But tax deadlines could dampen new growth when the affluent realize that seeds of tax reform have grown into the clinging vines of surcharge. Meanwhile, innovators will come out of hibernation to breathe new life into tired concepts.

Summer: Business will heat up as the weak dollar brings crowds of overseas visitors to America. Takeout will be in for outings, but couch potatoes will break out of their cocoons to emerge as social butterflies frequenting air-conditioned restaurants. Family vacations will put America on the road.



Autumn: A bountiful harvest will ensure another year of stable food prices. As election day draws near, politicians will loosen money supply to strengthen consumers' sense of well-being. Bond issues will be approved, easing pressure on institutional operators. *R&I* will predict 2.2% growth for 1989.

Key trends for 1988: Plain vanilla, market redefinition and "nutritioneering."

real growth on sales of $207 billion for 1988 and the two-year total adds up to a very solid performance. This outlook is consistent with the even more optimistic forecasts of Technomics Inc. (2.6%) and the National Restaurant Association (2.9%), both made before the stock market tumble.

Second, foodservice traditionally weathers economic storms well, and, if you accept the theory that when consumer spending on major puchases slows, thereby leaving more disposable income for dining out, this should bolster traffic counts. The foodservice share of food dollars is now 44%, continuing an upward trend that dates back to 1955. *R&I*'s latest "Tastes of America" national consumer survey shows three growth areas: more people saying they will eat out during 1988, a higher weekly average expenditure on food away from home ($31) and a better "good value" rating for foodservice over retail grocery.

Finally, a year-end *R&I* survey of chain and independent operators reveals a basically positive mood. More than 75% of the chain operators said the second half of 1987 would show a sales increase of 5.5% and indicated that 1988 ought to be "an excellent year." An additional 20% see 1988 as a "good year." Factors of most concern to chains were the economy (50%) and minimum wage (40%). Independents who said this year will be excellent numbered 34%, while more than 47% said it will be a good year. Nearly 67% cited the economic climate/local business as their major worry, with 16.7% mentioning labor problems.

Looking at the market as a whole, Technomics Inc. says the commercial sector will account for about 61% of sales, with institutional providing the other 39%. The commercial will be split between the top 100 restaurant companies at 22%, and smaller chains and independents at 39%. The top 10 chains will show slower growth, along with declining average unit volumes.

According to *R&I* estimates, full service will maintain its leading market share at 32.7%, growing 2.4% on sales of $67.6 billion; fast food's share will be 30.1%, with growth at 1.8% on sales of $62.2 billion. Employee feeding (7.1% share, $14.6 billion sales) and elementary/secondary schools (6.8%, $14.1 billion sales) claim the next largest shares of the foodservice market.

From a growth viewpoint, segment leaders are c-store/deli (7%), full service (2.4%) and nursing homes (2.1%). Slowest growth is predicted for hospitals and the military at 0.3% and colleges/universities at 0.4%. Overall, every segment of the industry is expected to make gains.

Against this background, *R&I* sees the following important trends shaping the foodservice industry during the coming year.

Plain vanilla: While growth will be steady, conservative strategies will prevail, as menus contract and marginal items disappear more rapidly.

Market redefinition: As the market continues to redefine itself, marketers will switch from operation-specific to a menu/product specific tactic.

Equipment renovation: Many units need updating and modernization; remodeling of kitchens will be big business.

C-store realism: No longer will c-stores be seen as the magic road to quick-service growth; segment will face a number of critical challenges.

Breakfast opportunities: This daypart still offers growth possibilities, which more operators will exploit.

Elder-care expansion: The nursing home segment will continue to subdivide into various types of care facilities as occupancy pushes 100%.

Off-premises hot: Takeout and other forms of off-premises consumption will lead the way in growth during 1988.

Food safety top of mind: There will be more concern about food safety and this will have a negative impact on self-service operations.

Labor crisis: Help wanted signs will hang out everywhere as severe labor shortages prevail in all segments.

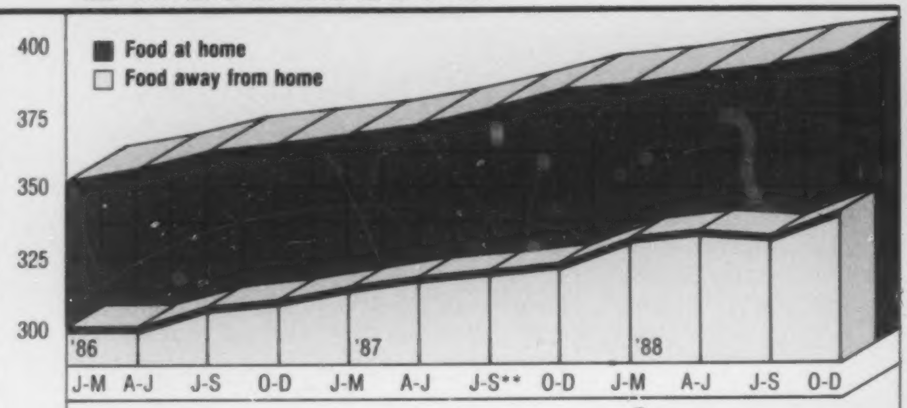
WOOFS: Well-off old folks will be latest customers of choice.

Nutritioneering: Americans' concern for healthful eating will lead to "nutritioneering" on part of operators who will turn to computers to systematize menu planning. ***—Michael Bartlett***

RESTAURANTS & INSTITUTIONS

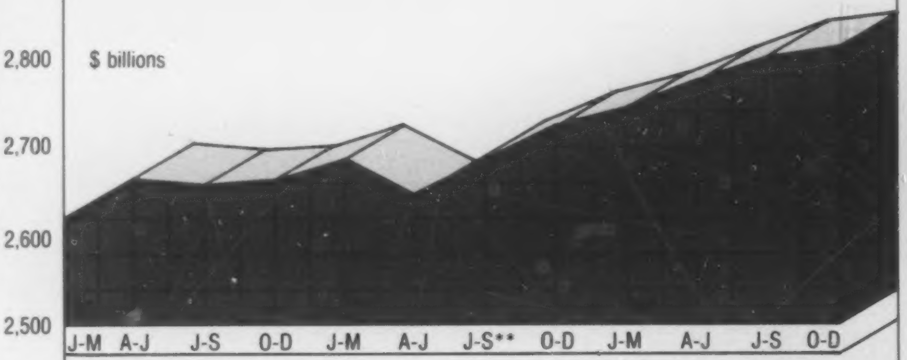
FOOD PRICES CLIMB

The Consumer Price Indexes for both food at home and food away from home will continue to increase gradually throughout 1988, as the federal government is expected to hold inflation at bay. During 1987, fruits and vegetables led the price spiral, increasing more than 7% from a year earlier. The indexes are based on 1967=100.



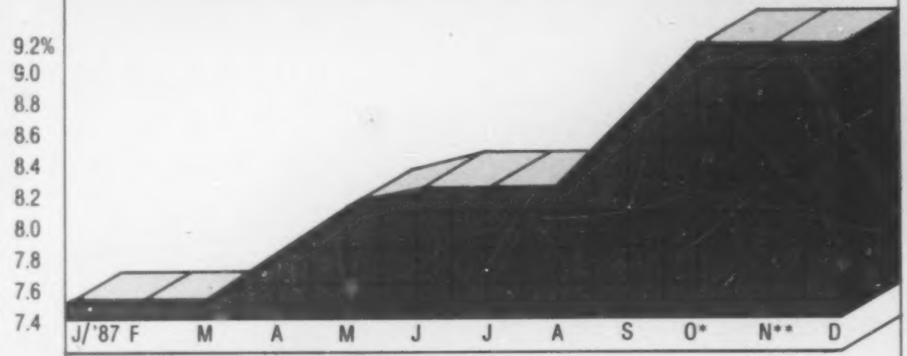
INCOME TO LEVEL OFF

Economists predict real disposable personal income will continue to rise throughout this year, recovering from a dip in mid-1987. With inflation expected to stay in check, consumer dollars will stretch further. However, many Americans are still paying off heavy debts accrued in recent years, which will keep disposable income from increasing faster.



PRIME HOLDS ABOVE 9%

The prime rate, the interest rate banks charge to their preferred customers, was expected to hold steady during the closing months of 1987, slightly above 9%. Economists do not foresee a big increase in the rate this year, which is good news for foodservice firms seeking expansion capital.

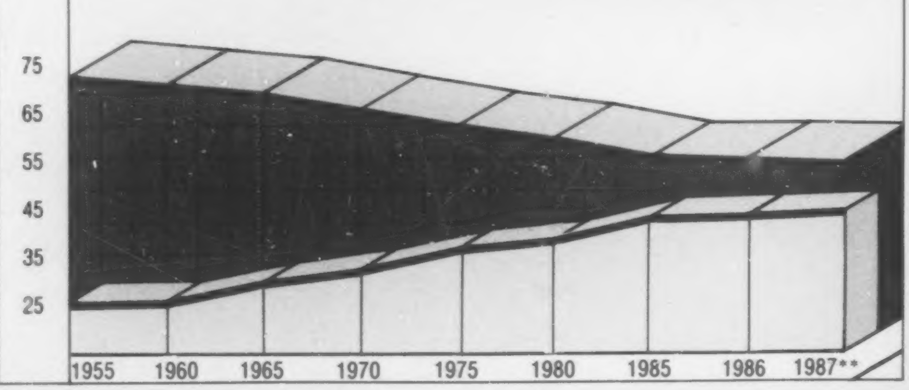


SHARE OF DOLLAR GROWS

Foodservice now commands more than 44% of total food dollars spent in the United States, up from about 25% in 1955. The rate of increase has slowed somewhat in recent years, as the advent of microwave ovens and VCRs has been a boon to the retail food business.

■ **Retail**

☐ **Foodservice**



Source: U.S. Department of Agriculture Economic Research Service

**forecast begins

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1988 ANNUAL FORECAST

ABOUT *R&I'S* 1988 FORECAST

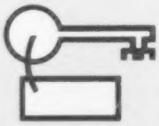
Restaurants & Institutions' "Annual Forecast" is compiled by the magazine's Bureau of Foodservice Research in conjunction with Cahners Department of Economics. The forecast is based on a variety of macroeconomic indicators, including consumer spending, employment and the prime rate, as well as foodservice-specific trends, such as the Consumer Price Index for food away from home and employment in eating and drinking places. Sales figures for 1987 have been revised from those published in *R&I*'s 1987 "Annual Forecast" to reflect what actually occurred in the marketplace during the year. Therefore, real growth figures quoted in this issue are based on revised sales figures. ☐ In the institutional segments, figures are calculated as commercial-sales equivalents, based on food purchases. Food contractor sales are included in the segment where they occur. "Other" foodservice includes primarily fraternal clubs, prisons and recreational camps. ☐ Commercial cafeterias and food sales from separate drinking places are included in the full-service segment.

FULL SERVICE

1988 sales: $67.6 billion
1988 beverage alcohol sales: $20.9 billion
Real growth: 2.4%
Market share: 32.7%
Units: 187,700

FAST FOOD

1988 sales: $62.2 billion
1988 beverage alcohol sales: $684 million
Real growth: 2%
Market share: 30.1%
Units: 145,000



LODGING

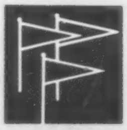
1988 sales: $8.1 billion
1988 beverage alcohol sales: $3.5 billion
Real growth: 0.5%
Market share: 3.9%
Units: 23,200

C-STORE/DELI

1988 sales: $4.7 billion
Real growth: 7%
Market share: 2.3%
Units: 63,800

RETAIL

1988 sales: $2.7 billion
1988 beverage alcohol sales: $3 million
Real growth: 0.9%
Market share: 1.3%
Units: 28,800



RECREATION

1988 sales: $2.5 billion
1988 beverage alcohol sales: $382 million
Real growth: 1.1%
Market share: 1.2%
Units: 25,000

TOTAL COMMERCIAL

1988 sales: $147.8 billion
1988 beverage alcohol sales: $24.7 billion
Real growth: 2.2%
Market share: 71.5%
Units: 440,900

RESTAURANTS & INSTITUTIONS

EMPLOYEE FEEDING

1988 sales: $14.6 billion
1988 beverage alcohol sales: $49 million
Real growth: 1.8%
Market share: 7.1%
Units: 25,000

SCHOOLS

1988 sales: $14.1 billion
Real growth: 1.3%
Market share: 6.8%
Units: 89,300

HOSPITALS

1988 sales: $9.9 billion
1988 beverage alcohol sales: $22 million
Real growth: 0.3%
Market share: 4.8%
Units: 6,890

COLLEGES

1988 sales: $6.7 billion
1988 beverage alcohol sales: $38 million
Real growth: 0.4%
Market share: 3.2%
Units: 3,350

MILITARY

1988 sales: $4.7 billion
1988 beverage alcohol sales: $399 million
Real growth: 0.3%
Market share: 2.3%
Units: 3,320

NURSING HOMES

1988 sales: $4.2 billion
1988 beverage alcohol sales: $23 million
Real growth: 2.1%
Market share: 2%
Units: 23,100

TRANSPORTATION

1988 sales: $2.8 billion
1988 beverage alcohol sales: $503 million
Real growth: 1.5%
Market share: 1.4%
Units: 350

TOTAL INSTITUTIONAL

1988 sales: $59 billion
1988 beverage alcohol sales: $1 billion
Real growth: 1.2%
Market share: 28.5%
Units: 142,310

ALL OTHER FOODSERVICE

1988 sales: $1.9 billion
Real growth: 1.7%
Market share: 0.9%

Source for unit figures: Technomic Inc.

1988 ANNUAL FORECAST

Restaurant analysts and financial executives predict tighter consumer spending.

After watching the stock market, listening to consumers and running numbers, restaurant-industry observers have concluded that sales will modestly increase this year and that people will spend their meal dollars very carefully.

"We see 1.5% to 2% real sales growth," says Joseph Doyle, an analyst at Smith Barney, New York. Doyle bases his number on fast-food growth of 4% and full-service growth of 1%. "We don't see a recession. We see modest gains in real disposable income, and therefore modest gains in restaurant sales," he says.

At E.F. Hutton, New York, analyst Caroline Levy sees 1988 as a period of slow growth, bordering on a recession. Levy predicts growth of 1%, based on the fact that a modest increase in sales will be spread over 6% to 8% more units.

Fast food will take market share away from other segments, she says, a result of consumers "trading down." Dinnertime traffic and sales will slow, since eating dinner away from home is less of a habit than eating lunch or breakfast away from home, she says.

However, the news from Hutton isn't all cautious. "We've seen the worst—sales have bottomed out. I wouldn't be surprised if restaurant stocks outperform this year," Levy says. She also sees the trend toward consolidation continuing.

Joe Fassler, president and chief operating officer at Greyhound Food Management Inc., predicts best-case total industry growth of 2%. Disposable income will remain flat, and people will spend money only where the value is great, he says. "Pizza will do the best. It's a good value nutritionally, and all the coupons make it a great dollar value."

Fassler does not foresee a recession and bases his prediction on the government's better judgment. Congress was slow to react to the deficit and trade imbalance and will spend 1988 making up for that sluggishness, he says. "These people will get serious. I see this as a balancing year," he says.

Financial executives at General Mills Restaurants, Orlando, Fla., say sales growth of 0% to 1% is more in line with the industry environment. "We feel the market is down," says a General Mills spokeswoman. "Chains are for sale or not growing, and those that are growing are doing so through conversions. Fewer units mean less growth."

The company, which operates Red Lobster, The Olive Garden Italian restaurants and York's steakhouses, sees a future in both takeout, because of the convenience factor, and ethnic food, because the prices are low and the food is perceived as healthful.

Gerald Deitchle, chief financial officer at Jerrico, Lexington, Ky., sees some improvements in restaurant sales. Twenty-five percent of Jerrico's company-owned Long John Silver's units are in the Oil Patch and have experienced down sales for the past four years. "We're not looking for a recession; if there is one, it won't affect sales more than the Oil Patch situation," Deitchle says. Jerrico does foresee a slowdown in consumer spending, but not one that will affect Long John Silver's.

Consumers' search for the best value and their reluctance to spend signals a move toward the middle, says Dr. Marvin Cetron, an economist who just finished a 50-year projection study of the hospitality industry. "This is a major change that will affect the restaurant industry," Cetron says. "A lot of people will eat a fast-food meal for lunch, and a fancy-food meal in the evening. With both spouses working, they're going to buy from both ends of the spectrum."

Tax laws are making this change easier, says Cetron. "We can't get wealthy anymore because the tax law plugs those holes, and the poor people are not paying taxes so we're getting one big middle class coming out." By the year 2020, the United States social structure will resemble Sweden's, he says.

Like Greyhound's Fassler, Cetron thinks that the government will do what it takes to rein in the economy. Congress will balance the budget, he says. The fact that the dollar is coming down will allow companies to sell products overseas and even out the balance of trades. "I really think we're in pretty good shape," he says. ***—The Editors***

“

I think theme restaurants will grow. When people eat out, they will want a little fantasy. They'll want to go to the dinosaur place or the cowboy place. *—Marvin Cetron, president, Forecasting International Ltd., Arlington, Va.*

Sen. Kennedy, with the minimum-wage and parental-leave legislation, could single-handedly cause a recession. But I think smarter heads will prevail. *—Joe Fassler, president and chief operating officer, Greyhound Food Management Inc., Phoenix, Ariz.*

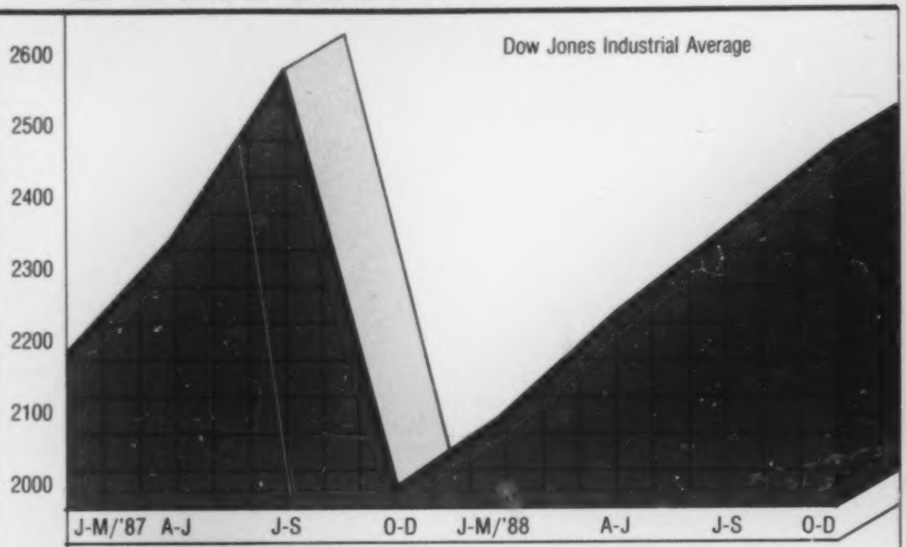
We've seen the worst—sales have bottomed out. I wouldn't be surprised if restaurant stocks outperform this year. *— Caroline Levy, analyst, E.F. Hutton, New York*

”

RESTAURANTS & INSTITUTIONS

WILL MARKET CRASH HURT FOODSERVICE?

Company coffers were hit hard by the stock market crash in October. Many foodservice firms took advantage of their depressed stock prices to buy back shares, but the purchases did little to bolster stock prices. With stocks trading at lower prices, companies will have less money on hand to invest in expansion and remodeling plans. Financial and stock analysts, however, expect the market to recover much of its value this year, which should ease the cash crunch.

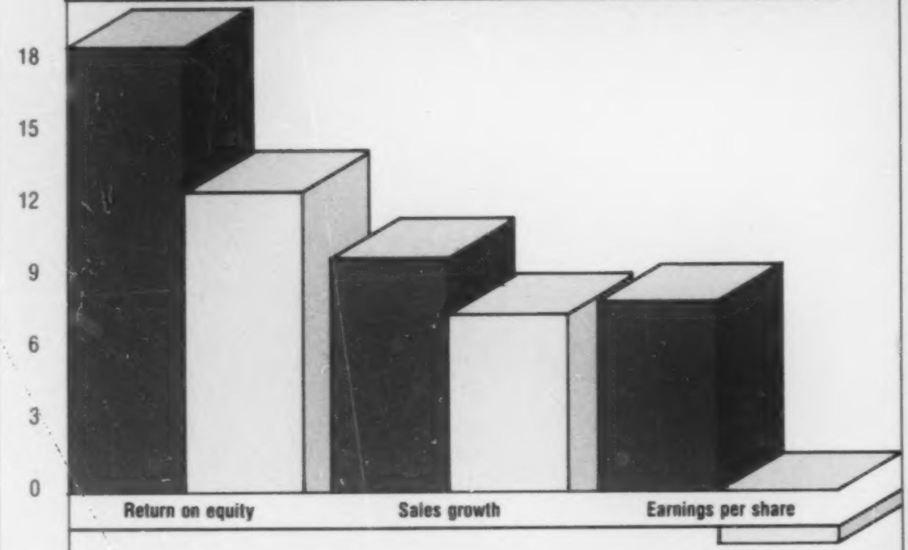


RESTAURANT INDUSTRY AMONG BEST-MANAGED

The restaurant industry outpaces other industries by a wide margin in three areas: return on equity, sales growth and earnings per share. Many fast-food franchises require a relatively small capital investment, but yield a substantial return. Industry sales can be counted on to increase every year, and the growth rate is usually appreciably above the all-industry average.

■ **Restaurant industry**
☐ **All-industry median**

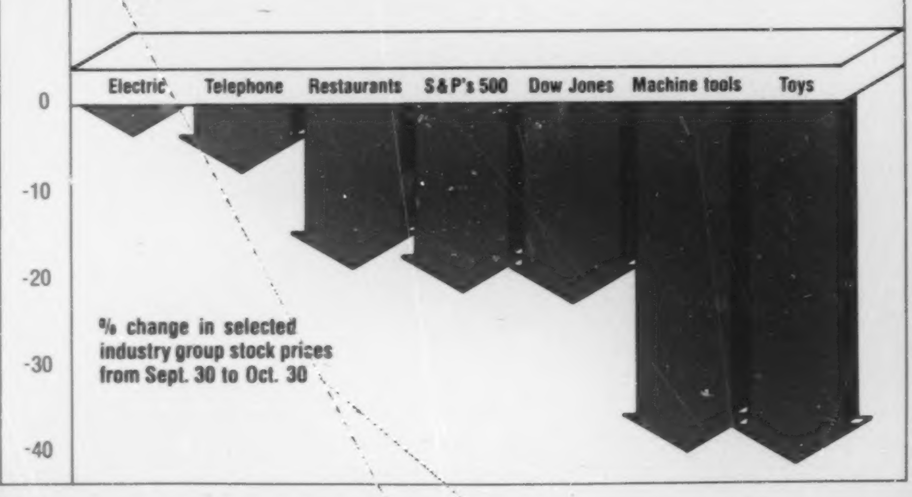
Source: Forbes 39th Annual Report on American Industry



RESTAURANT STOCKS FARE BETTER THAN MANY

The stock market crash last fall hit some industries much harder than others, with industry group stock prices dropping anywhere from 3.5% to 41.8%. Restaurant stocks were somewhere in the middle, falling 18.8% during the month of October, compared to a drop of 23.2% in the Dow Jones Industrial Average.

Source: Smith Barney, Harris Upham & Co.



% change in selected industry group stock prices from Sept. 30 to Oct. 30

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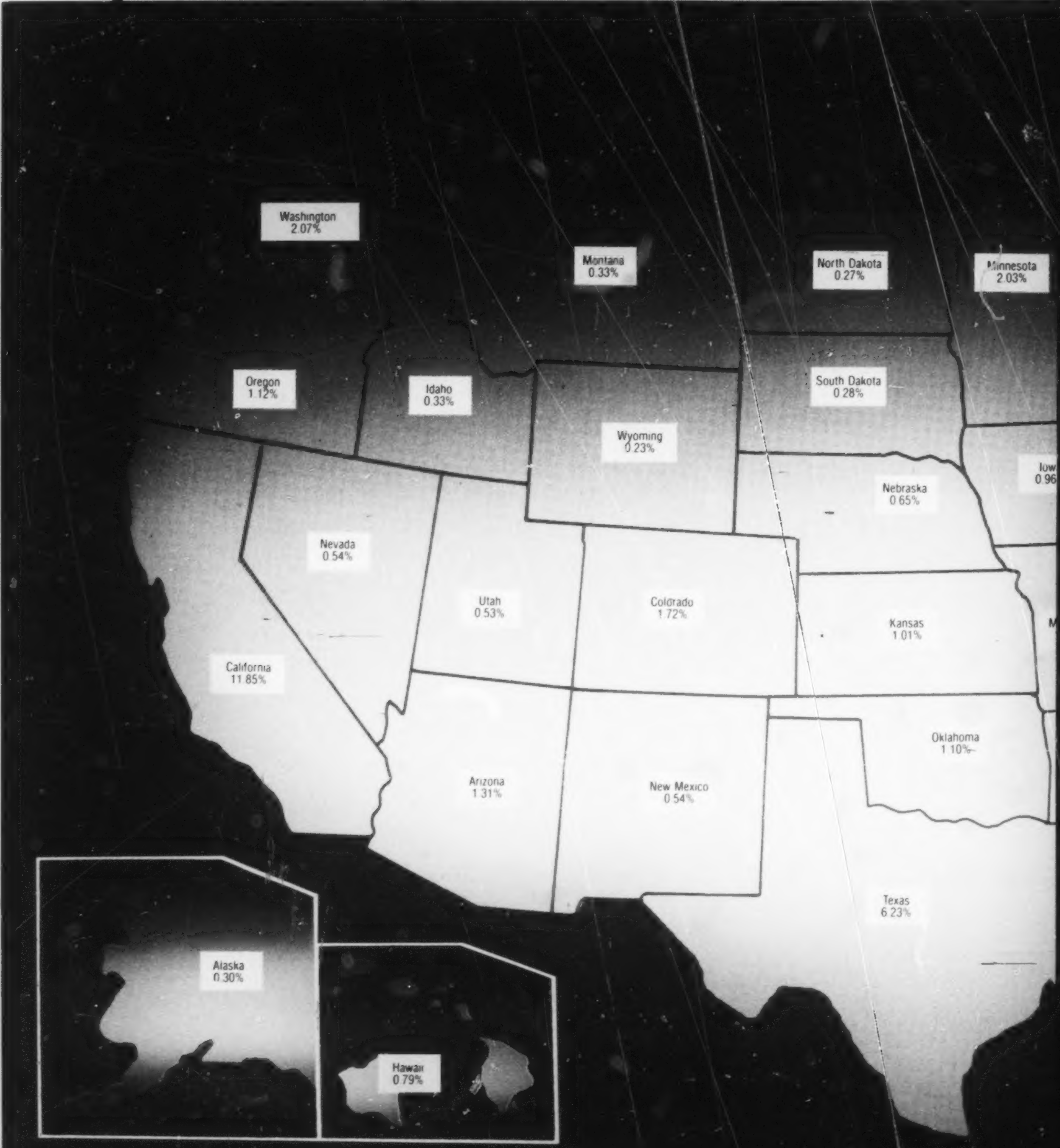
1988 ANNUAL FORECAST


Washington
2.07%
Montana
0.33%
North Dakota
0.27%
Minnesota
2.03%
Oregon
1.12%
Idaho
0.33%
South Dakota
0.28%
Wyoming
0.23%
Iow
0.96
Nebraska
0.65%
Nevada
0.54%
Utah
0.53%
Colorado
1.72%
Kansas
1.01%
M
California
11.85%
Oklahoma
1.10%
Arizona
1.31%
New Mexico
0.54%
Texas
6.23%
Alaska
0.30%
Hawaii
0.79%

R&I FOODSERVICE MARKETING MAP

The South Atlantic states generate more foodservice sales than any other region, nearly one-fifth of the total. The top-grossing states, however, are spread across the country: California, Texas and New York. Together they account for nearly 25% of all sales.

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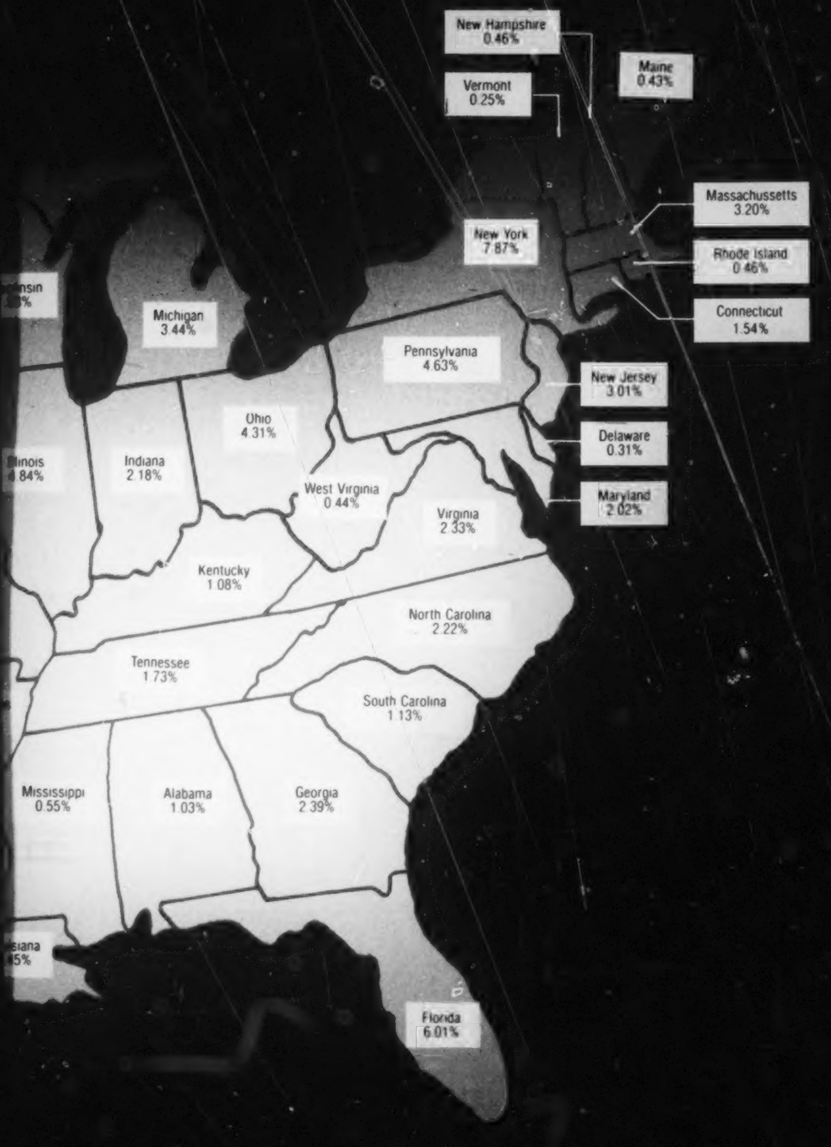
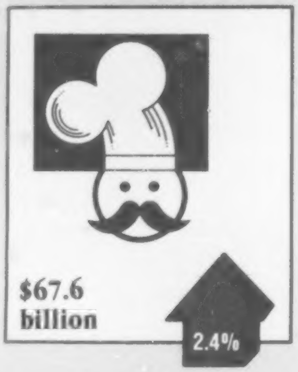
RESTAURANTS & INSTITUTIONS


New Hampshire 0.46%
Vermont 0.25%
Maine 0.43%
Massachussetts 3.20%
New York 7.87%
Rhode Island 0.46%
Connecticut 1.54%
...nsin ...%
Michigan 3.44%
Pennsylvania 4.63%
New Jersey 3.01%
Ohio 4.31%
Delaware 0.31%
...linois ...84%
Indiana 2.18%
West Virginia 0.44%
Maryland 2.02%
Virginia 2.33%
Kentucky 1.08%
North Carolina 2.22%
Tennessee 1.73%
South Carolina 1.13%
Mississippi 0.55%
Alabama 1.03%
Georgia 2.39%
...isiana ...45%
Florida 6.01%

TOP 50 METROPOLITAN AREAS

New York City	4.79%
Los Angeles/Long Beach	4.54
Chicago	3.52
District of Columbia	2.03
San Francisco/Oakland	1.96
Detroit/Warren, Mich.	1.75
Philadelphia	1.66
Atlanta	1.50
Houston	1.49
Boston	1.44
Dallas	1.38
Miami	1.37
Newark, N.J.	1.20
Seattle	1.05
Denver/Aurora	1.04
San Diego	0.99
Cleveland	0.98
Minneapolis	0.97
Baltimore	0.94
Tampa	0.92
St. Louis	0.91
Columbus, Ohio	0.84
Milwaukee	0.84
Phoenix/Mesa	0.79
Indianapolis	0.76
Pittsburgh	0.76
Kansas City, Mo.	0.70
Cincinnati	0.68
Portland, Ore.	0.64
San Antonio	0.60
New Orleans	0.58
Sacramento, Calif.	0.58
San Jose, Calif.	0.55
Nashville	0.51
Buffalo	0.50
Austin, Texas	0.49
Jacksonville, Fla.	0.48
Oklahoma City	0.48
Rochester, N.Y.	0.48
Arlington/Ft. Worth, Texas	0.47
St. Paul	0.47
Anaheim/Santa Ana, Calif.	0.45
Memphis	0.45
Grand Rapids, Mich.	0.42
Salt Lake City	0.41
Charlotte, N.C.	0.39
Louisville	0.38
Richmond, Va.	0.38
Knoxville, Tenn.	0.36
Omaha	0.36

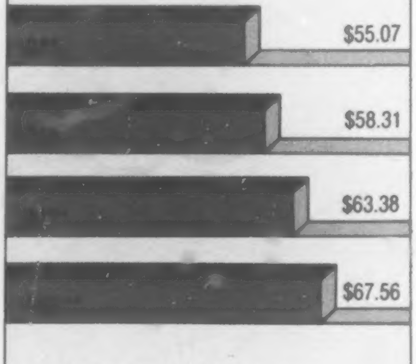
1988 ANNUAL FORECAST



FULL SERVICE GAINS BUT AT SLOWER PACE

In 1988, full service, with the lion's market share, will continue 1987's upward trend with modest growth in sales and units. (Units include separate drinking places serving food.) Gains will not be equally distributed within the segment, which comprises fine dining, private clubs, casual/theme, steakhouses, coffee shops/family dining and cafeterias.

(food and non-alcoholic beverage sales in billions)



1988 units: 187,700

1988 market share: 32.7%

1988 beverage alcohol sales: $20.2 billion

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*preliminary **forecast

■ **FULL SERVICE**

Diversity of full-service segment creates widely varied outlooks, challenges in '88.

For a sharper focus on full service—more widely diversified than other commercial segments—*R&I* surveys each of its subdivisions: fine dining and private clubs at the high-priced level, casual/theme restaurants and steakhouses at the midpriced range, and coffee shops/family dining and cafeterias at the budget end of the spectrum.

Fine-dining operators spent most of 1987 waiting for the other shoe to drop after the 80% cap on business-meal deductions landed with a thud. Many now feel they won't have to wait any longer than April 15. "The effect of the 80% deduction will be worse in 1988, affecting all business entertaining," predicts Jimmy Rohr, proprietor of Jimmy's Place, Chicago. Rohr believes the reality will register when tax calculations for the fiscal year begin.

Victor Gielisse, chef-partner of Actuelle, Dallas, believes that "1988 will be a very tough year. The 80% deduction has had an effect on us, especially at lunch." But others take a different view. Larry Levy, of the Levy Restaurants in Chicago and Pittsburgh, says, "The 80% was not discernible last year at Spiaggia," the fine-dining restaurant atop Chicago's One Magnificent Mile. He cites tourism in Chicago and Spiaggia's location as "somewhat counter recessionary."

Tourism is a major factor in the success of Restaurant de la Tour Eiffel. Chef-partner Daniel Bonnot says, "New Orleans has a population of about 700,000—and 2,000 restaurants. We look for 1988 to be a good year."

Barry Wine, chef-proprietor of The Quilted Giraffe, New York, has seen a little falloff in business entertaining traceable to the 80% deduction, "but that doesn't affect legitimate business entertaining—which needs to be done. It does, however, affect the expense-account perks." Charles Frank, president of Spectrum Foods, San Francisco, which operates 14 California restaurants, says, "If you have a million-dollar business deal to discuss over dinner, you don't care. I feel the 80% deduction will affect middle, not top, management—and consequently our *trattoria*-style restaurants, rather than fine dining such as Chianti."

George Lang, proprietor of Câfé des Artistes, New York, warns, "You have to be careful in playing a limited game of futurality. Fine dining is one criteria of a restaurant, size is another, what role it plays within the community a third. Clearly, if you hope to discuss a million-dollar deal over dinner, there's no question it will happen. But if you have a 200-seat fine-dining restaurant, there are not going to be that many million-dollar deals. Restaurants in the coming year and *years* will have to be marketed in such a way as to have a multimarket source for business."

Continuous and aggressive marketing was seen by Rohr, Gielisse and others as a major challenge for 1988. For Wine, a pioneer in replacing tipping with service charge at The Quilted Giraffe, it was "getting waiters to understand that declaring 100% of their income is part of living in America." For Levy it was "controlling food cost at Spiaggia;" for Frank, "government intervention and regulations."

With few exceptions, fine-dining operators were active in takeout, seeing it as a major trend. And many reported private dining rooms as profitable. Or, like George Lang and Joseph Baum (of New York's new Rainbow complex), had elaborate private facilities planned for 1988.

Business was "slightly up, about 5% for private clubs in 1987," says Mead Grady, incoming president of the Club Managers Association of America, but his projections for 1988 are conservative. "No great increases overall. The Oil Belt is bouncing back, but with no great strides." And while few fine-dining operators saw a minimum-wage increase as a threat, Grady says, "It is a very definite threat. An increase could hurt us terribly."

The CMAA reports its approximately 4,000 member clubs with 2.87 million members rang up an estimated $2.6 billion in food and beverage sales for the fiscal year ending Oct. 31. And CMAA estimates there are an additional 5,000 private clubs in America who

A landmark bit of Paris: Restaurant de la Tour Eiffel was dismantled in 1981, crated, then recreated in New Orleans by partners Onorio and Bonnot.

are potential members. In addition to minimum wage, Grady sees the overall economy as the biggest hurdle ahead for clubs and says "1988 will really be the test for the impact of the 80% deduction."

Casual/theme restaurants fared well during 1987 and should continue to offer customers the opportunity to eat out stylishly several times weekly for prices substantially below fine dining. The hottest new theme is the bistro-*trattoria*-cafe concept. Frank says Spectrum's just-opened Tutto Bene, a *trattoria*, "serves all appetizers and platters, catering to today's style of eating that we call sharing, not grazing."

In Chicago, Levy's newest—Bistro 100 opened in partnership with Doug Roth in August 1987—features oven-roasted "delicious, straightforward, unpretentious food in a very unthreatening fun atmosphere," says Larry Levy. It has enjoyed sales of $100,000 a week or better.

Even established theme operations such as Old Spaghetti Warehouse in Texas reported business was up for 1987 and predict more good news for 1988. William C. Hoffman, president of Carolina's Restaurant and Bar in Philadelphia concurs: "1987 was up for us by about 7% and 1988 should be [illegible] equal. This segment is healthy because we are not special occasion restaurants. The customers' discretionary income goes farther in our type of restaurant." Like fine-dining restaurateurs, casual/theme operators are devoting time and energy to takeout, which, says Hoffman, "will have a major impact for the next 10 years."

Questions about how the steakhouse segment is doing meets with some resistance from major players Sizzler (Collins Foods International Inc.) and Bonanza (USACafes). "We don't look at ourselves as being in the steakhouse segment," says Tom Gregory, Sizzler's CEO. "We have more chicken and fish items on our menu than we do steak." Jeff Rogers, president and CEO of Bonanza says, "Traditional budget steakhouses are no longer our major competitors. Instead, the competition comes from family dining and some casual/theme restaurants."

But upscale or budget, steakhouses as a group performed somewhat better than most full-service restaurants in 1987 and should do well in 1988. On the upscale end, steakhouses' gain is credited to their diverse menus. According to a recent Bonanza customer

WHAT'S NEW FOR '88

■ Fine-dining operators cite the economic climate as a major factor affecting business in 1988. Related concerns: aftershock after taxes when 80% meal-cap deduction sinks in; also fallout from stock market dive in October 1987.

■ Increased minimum wage poses major threat to estimated 9,000 private clubs.

■ Big news in casual/theme restaurants is popular bistro concept. Good news is operators' predictions for another good year.

■ Gulf between upscale and budget steakhouses widens, though both performed well in 1987 and expect growth in 1988.

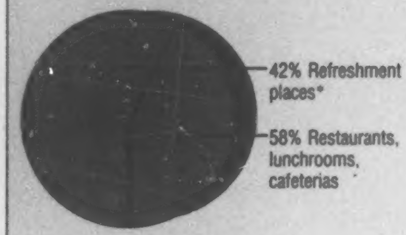
■ "Oil Patch zip codes" and increased competition from other segments contribute to softness in cafeteria sector.

■ Continued pressure for breakfast business from fast food and losses to casual/theme and steakhouses at dinner make for flat family dining.

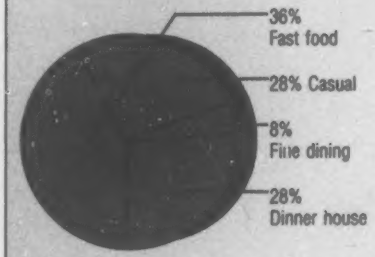
1988 ANNUAL FORECAST

DIFFERENT WAYS TO CUT FOODSERVICE PIE

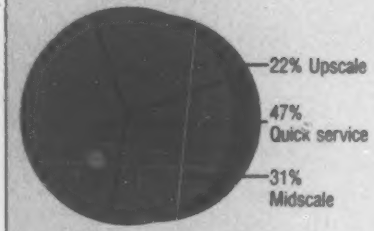
Restaurants & Institutions traditionally has divided the industry into as many discernible segments as practical—the better to analyze it. But there are many different ways of categorizing the commercial segment, four of which are shown below.



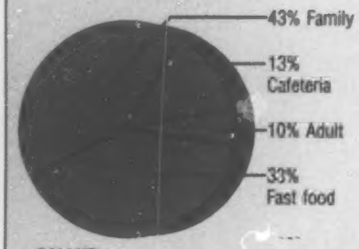
U.S. DEPT. OF COMMERCE



MARKETSCORE



GRD/CREST



GALLUP

*Refreshment places=fast food

survey, variety, price and location were major factors behind consumers' choices.

Both Bonanza and Ponderosa report an increase in younger, more affluent, white-collar customers.

Meanwhile, traditional budget steakhouses such as Ryan's cite an increase in older customers who come to take advantage of the extensive food bar that includes meat and vegetables—to the chagrin of the cafeteria segment that resorted to belt-tightening to make a profit when faced with 1987's declining customer counts.

Richard McGeoch, senior vice president of corporate planning at Morrison Inc., says that while cafeterias are still the biggest competitor, "We're seeing an increase in competition from family restaurants and steakhouses."

Rodney Garrison, senior vice president and treasurer of Piccadilly Cafeterias Inc., says, one reason for customer count declines "is the sheer increase in the number of restaurant options." Luby's Cafeterias Inc. Vice President of Marketing Vernon Schrader agrees, adding another reason for the segment softness: "So many cafeterias have Oil Patch zip codes."

Expanding out of the Oil Patch (Texas, Arkansas, Oklahoma) is part of the 1988-89 battle plan both at Luby's and Piccadilly's.

Morrison, with all of its stores east of the Mississippi, has been able to focus more attention on labor problems. One new concept, Morrison's Sadie's Buffet, gets around the labor shortage problem, offsetting higher food costs in labor savings. Morrison is cautious about Sadie's future, but plans to add at least three by June 1988.

Also relatively flat in 1987 was the family-dining segment. While some operations, such as the International House of Pancakes, reported increased business in 1987 and predicted the same for 1988, other major players such as Bob Evan's Farms, Denny's and Country Hospitality are not as optimistic.

Roger Williams, vice president of direct marketing at Bob Evan's Farms Inc., says, "For us real growth in 1986 was 3.9%; 1987 was at 2.8% and 1988 looks flat. I think that's pretty reflective of the segment."

Reasons ranged from pressure on the low end from fast-food restaurants for breakfast business—to erosion of dinner sales by steakhouses and casual/theme restaurants, according to Allan Post, senior vice president of marketing for Country Hospitality.

Denny's strategy, says Senior Marketing Vice President Barry Krantz, has been to move more upscale, adding credit cards and private label wine, and giving dinner more emphasis. Krantz says, "I think a lot of the problem is that midscale has tended to market itself as a commodity and hasn't done enough to market itself as something consumers find important. We must try to do things uniquely."

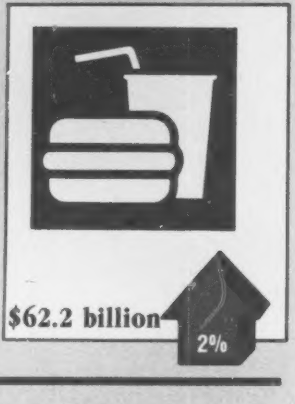
But Bob Evans and Country Hospitality are taking another tack: away from the coffee shop image and appealing to middle America with a back-to-basics menu emphasizing reasonably priced dinner items.

"Our customers are real middle of the road," says Hospitality's Post. "You know, mom, pop and the kids in the station wagon. They don't give a darn about fajitas; they want country fried steak and apple pie." Says Williams of Evans, "Bob Evans cannot compete in the $6 to $9 range. By adding four items: homemade meatloaf at $4.45, country fried steak at $4.45, homemade beef stew at $3.95 and charbroiled catfish at $5.95—all accompanied by mashed potatoes and gravy—we should reach our target markets. This will also make us more competitive with independents and budget steakhouses."

—Nancy Ross Ryan and Monica Kass

Winning theme: The Old Spaghetti Warehouse, Austin, Texas

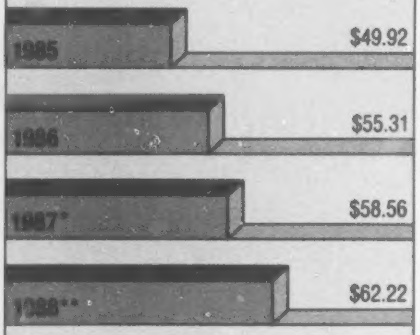
1988 ANNUAL FORECAST



FAST-FOOD INDUSTRY SLAMS ON THE BRAKES

After a phenomenal growth spurt in 1986, with 6.8% real sales growth, the fast-food industry is reaching maturity and is posting substantially smaller growth figures. Real growth was only expected to reach 1.8% during 1987 and slightly more (2%) during 1988. This will be caused in part by most chains adding fewer restaurants to their systems.

(food and non-alcoholic beverage sales in billions)



1988 units: 145,000

1988 market share: 30.1%

1988 beverage alcohol sales: $684 million

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*preliminary **forecast

■ FAST FOOD

New units will play a smaller role in segment growth as some markets approach saturation.

Stand in a fast-food restaurant parking lot and what do you see? Another fast-food restaurant. The fast-food restaurant industry is fast approaching its saturation point. So few new dollars are coming into the fast-food arena that *Restaurants & Institutions* is predicting only 2% real growth for the segment during 1988.

With few exceptions, one fast-food chain's growth will be at the expense of another. As one bottom line inflates, another deflates and the segment stagnates.

But 2% growth is no reason for gloom and doom. *R&I* predicts real growth for the entire foodservice market will be a conservative 1.9%, down from a revised growth figure of 2.5% in 1987. Of the other 13 categories in the industry, only three are predicted to have better growth than fast food.

The next question is what will drive this growth in 1988. *R&I* posed this question to a range of industry experts. Their responses touched on specific restaurant chains and menu items as well as broad topics such as the future of delivery.

Regional differences, similarities

Leslie Steppel is almost apologetic with her assessment of fast food in the Northeast during 1988. "I just don't think that this is the time when people are going to be very gutsy," says Steppel, restaurant industry analyst for Prudential-Bache in New York. "I don't see many start-up chains or accelerated expansion even among the established chains.

"Chains have been scaling back their expansion throughout '87, and that will continue into '88. People are going to continue to build up same-store sales. They'll do it through the introduction of a new product here and there, and I think they'll rely a lot more on advertising and creating a marketing image."

Steppel says she sees no change in the traditional difficulties that pizza and fast-food seafood chains have had in the Northeast (the former because everyone has a favorite corner independent operator and the latter because fresh seafood is readily available throughout New England).

Fred Turner (l.) and Michael Quinlan, McDonald's Corp.

But what is true in the Northeast is not so in the North Central region. A.G. Edwards & Sons analyst Jay Fairfield sees pizza and seafood chains as both having great potential in 1988. But both areas have their downsides.

"Pizza in general will continue to be popular and grow, but I think that the concept of delivery is going to begin to be re-evaluated," says Fairfield, who is based in St. Louis. He adds that companies know people want pizza delivered, but the companies are trying to determine whether delivery is economically feasible.

Fast-food seafood—whether fried, grilled, broiled or baked—has outstanding growth potential in the Great Lakes area, Fairfield says. Shoney's should strongly consider expanding its Captain D's concept into the North Central, where Long John Silver's is already in position to take advantage of this growth, he says.

The West, and especially California, is being overrun by frozen yogurt, *pollo* (charbroiled chicken) and drive-thru-only burger stands. The flood of frozen yogurt should subside, says Janet Lowder, who from Los Angeles researches West Coast restaurant activity for Laventhol & Horwath, but the other two should continue to show growth.

"The yogurt group will show slower

growth than it has in the past couple years, but only because everybody has already jumped on the bandwagon," says Lowder. Find a strip shopping center in the Southwest, and Lowder says you're bound to find a frozen yogurt store. She expects the bigger West Coast companies—TCBY, J. Higby's, Heidi's and the Hardin Group's Penguin's Place—to begin squeezing the smaller operators out of the market.

Lowder says El Pollo Loco, owned by Denny's, is looking into catering with a mobile unit to expand business rather than trying delivery. "The key to chicken delivery," says Lowder, "is for a manufacturer to come up with a super packaging product for chicken."

While she doesn't see 1988 as a good year for traditional burger chains, she believes that the drive-thru-only burger chains such as In'N Out Burgers will grow. The traditional burger chains have the potential to do better if they diversify with products such as the chicken sandwiches at Carl's Jr.

Many of the patterns in the South are similar to the rest of the country, says Steven Rockwell of Alex. Brown & Sons, Baltimore. And in the same way, some patterns are appearing in both full service and fast food.

"There is a much greater demand for self-service, all-you-can-eat concepts," says Rockwell. The entire steakhouse segment of the market has gone to this, and now the same thing is happening in fast food at Rax and Wendy's. While the fast-food entries are not as varied as those in the steakhouses, there is a similar customer perception of high value.

"The consumer, based on what is going on in the steakhouse segment, is saying this is what they would like," he says. "They want the greater variety, they want the ability to portion themselves, they want the ability to return for seconds or thirds."

Yuri! Vuht vihl McDonald's do?

Learning what the major chains plan to do in 1988 is a little like the Soviets trying to discover our national secrets. (Actually, given the number of national security breeches reported in newspapers, the Soviets probably have an easier job.) However, the steps taken during 1987 by the five largest fast-food chains—McDonald's, Burger King, Kentucky Fried Chicken, Wendy's and Hardee's—give a clear indication of what each is doing to improve sales during 1988.

After years of testing, McDonald's rolled out its packaged salads. "It was your typical McDonald's 10-year, 4,000-unit test," said Chairman Fred Turner after the company's 1987 annual meeting. As evidenced later in the year by its Mac Tonight character, McDonald's is working to build sales after 4 p.m. as a way to drive sales in the country that is closest to reaching McSaturation. But that doesn't mean the company itself is on the verge of stagnation.

When Michael Quinlan was named the new corporate chief executive officer, a position he assumed in April 1987, he said that the company had just scratched the surface of international

FRENCH FRIES

Kentucky Fried Chicken

WHAT'S NEW FOR 1988

■ "The consumer will be under pressure in 1988. As a result, consumer spending will either slow or, in the worst case, it will actually go down a little bit. I think the companies that will do the best are those that have the greatest ability to market, to advertise and to have the greatest penetration in a particular area."
—Steven Rockwell

■ "You have a lot of emphasis on service in the high-end restaurants, and I think you're going to see it a lot more in fast food. The 16- and 17-year-old employees are going to be trained to be able to talk about world affairs, about what they learned in their civics class and not to be so mechanical."*—Janet Lowder*

■ "I think delivery is still a question mark. I know people say delivery is the trend. Actually, it is the trend to *test* delivery. I think that in the long run, the only way you'll see delivery is if it becomes a pricier service—just like room service. People understand that when you buy room service, you're paying a lot for the convenience."
—Jay Fairfield

■ "Expansion still is going to be there, but I see a cutback in expansion, not accelerated expansion. I just think it's going to be a lot more difficult to get the financing than it once was."
—Leslie Steppel

FAST FOOD HAS FIRM GRIP ON 30% OF MARKET

In 1980, the fast-food segment accounted for slightly more than 20% of the total foodservice market. Steady growth in the early portion of the decade saw that percentage increase nearly 50% by 1986. That growth is now at a standstill as fast feeders can claim a solid 30% of the market as their own.

1988*	30.06%
1987**	30.06%
1986	30.03%
1985	29.21%
1984	28.87%
1983	26.73%
1982	24.78%
1981	21.51%
1980	20.10%

*forecast **preliminary

Source: *Restaurants & Institutions* Annual Report issues, 1980-1988.

operations. It is a safe bet that significant unit growth in the foreseeable future will be at international locations, where average unit volumes consistently exceed the corporatewide average of about $1.4 million.

Burger King has hit upon a successful formula of rotating its product promotions. To competitors, this rotation might appear more as a drive-in horror movie called "Attack of the Killer Bs": Burger Bundles, Breakfast Bagels, Bull's-Eye Barbecue Burger.

"They do have a strategy of rotating products and marketing those new products pretty aggressively as they introduce them, and then pulling them out and starting over with another one," says Rockwell. "I think it is working."

Backing up each new promotional product release with distinctive advertising, Burger King is generating sales excitement every one or two months. No more long-term albatross for Burger King (sorry, Herb, it's just hard to forget you). Even if a product sputters, it is scheduled to be gone before it can inflict deep wounds.

Unlike the burger chains, Kentucky Fried Chicken never had a problem with dinner-time sales. But lunch is another question. Hence comes its product of the future: Chicken Littles. It's difficult to make a lot of money on a 39-cent sandwich, but KFC knows that few people grab a one-course midday meal. With generous profit margins on french fries and soft drinks, it is a safe bet to say KFC has a winner.

This bet is even safer to make when examining the competition's reaction to Chicken Littles. Both Popeyes Famous Fried Chicken and Bojangles' developed a similar product almost immediately.

Wendy's is in dire need of a hit in 1988, and it might have it with the SuperBar. When people stop, stare and simply say "Wow" upon first seeing the three-section food bar, and when people have to wait for a table during the lunch hour (both common occurrences during the SuperBar's first few weeks in the Chicago area), one knows this could be something special.

If the SuperBar changes the focus of Wendy's from hamburgers to all-you-can-eat buffet, it might force Wendy's to remove the "Old Fashioned Hamburgers" section of its logo; it's a change corporate management will be happy to make if the SuperBar rejuvenates this struggling giant.

Listing Hardee's as the nation's fifth largest fast-food chain and fourth largest burger chain might soon be a thing of the past. Hardee's officials say its sales forged ahead of Wendy's during the first six months of 1987 and they are confident it will be ahead of Wendy's for the year. There's no sign that Hardee's will stop here.

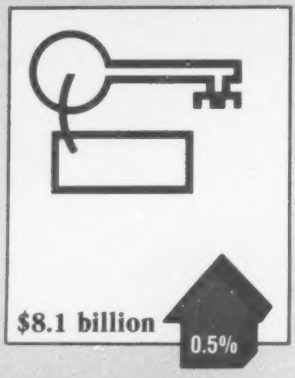
"We're going to continue to see Hardee's charge on its competitors in the burger area, especially into Burger King's turf," says Fairfield. "Hardee's, in the customer's eye, is going to supplant Wendy's and possibly begin to supplant Burger King as a better fast-food hamburger place."

—Brad Stratton

BURGER KING

Burger King

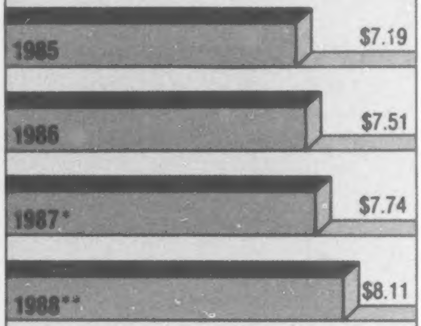
1988 ANNUAL FORECAST



A SLOW-GROWTH YEAR FOR HOTELS

R&I predicts 0.5% real growth for the lodging industry in 1988, down from 1.1% in 1987. Occupancy rates will remain stable, at about 64%, but construction is estimated to decrease by 5.4%. This will, in the long run, bring room supply into alignment with demand. Hotels are getting bigger—the number with 100 or more rooms grew by 5%.

(food and non-alcoholic beverage sales in billions)



1988 units: 23,200

1988 market share: 3.9%

1988 beverage alcohol sales: $3.5 billion

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*preliminary **forecast

LODGING

As the slowdown continues, hotels will count on food and beverage to generate excitement.

A sluggish market for hotel rooms should stimulate interest in a relatively neglected profit center: food and beverage operations. "Given modest growth in occupancies and room rates, food and beverage will become a much more dynamic area," says Jonathan Denn, chief executive officer for Treadway Inns, a regional chain in the Northeast.

Chicago consultant Maximilian Eidlhuber agrees: "The more food and beverage a hotel has, the more excitement it can create and the more successful it will be."

Segments to bet on

Even though overall industry growth will be slight, some segments will shoot ahead of others. Most observers agree that the economy/limited service segment will continue to add new properties at a faster pace than anyone else. Specifically, Rich Conti of Laventhol & Horwath puts his money on middle-priced all-suites. To date, most of these have sidestepped foodservice, viewing it as a drain on profits, but a few are beginning to respond to customer demand for on-premises restaurants.

Airport hotels will continue to do well, although they may lose some of their luster if the airlines back off from the deep discounts of the past year. "Fantasy resorts" will also prosper. "It's the yuppie factor at work," comments Randall Smith, an analyst for Smith Travel Research.

More women, foreigners

Expect to see more women and foreigners in hotel restaurants next year.

Women now constitute more than one-third of frequent travelers, and the percentage hasn't stopped climbing. "Women will continue to influence menus and hotel design," says Juergen Bartels, president of Carlson Co.'s hospitality group. "It's no surprise there's less drinking, lighter meals, an upswing in the popularity of chicken and fish."

As for foreigners, the decline in the dollar's value will make the United States a highly attractive travel bargain. Hotel executives expect Japanese and European tourists, in particular, to trek to their establishments in greater numbers. Unless they learn to love all-American specialties, this could mean more sushi and *boeuf bourguignon* on hotel menus.

Of whatever sex or nationality, the value-conscious customer also will be more visible in 1988. That doesn't necessarily translate to "cheap"—during 1986, restaurant expenditures for midscale hotels dropped more than for upscale hotels (by 6.7% and 0.5%, respectively).

It does mean that customers will become still more astute at recognizing quality and attaching a price tag to it. "Hotels that bank purely on image are going to have a problem. In restaurants, ambiance without product quality won't sell," says Walter Staib of Omni Hotels.

Stepped-up competition

During 1988, hotels will try harder to differentiate their restaurants from those of competitors. "Free-standing restaurants, in general, have more personality. You go into 20 different brands of hotels and you won't see

Checker's Cafe, located in Treadway Inns, converts into a dance club.

1988 ANNUAL FORECAST

WHAT'S NEW FOR 1988

- Economy/limited service, all-suites, airport hotels and fantasy resorts will perform better than the average.
- All-suite hotels will add low-sugar items to their continental breakfast.
- Conversions and renovations will be far more common than new construction.
- Female business travelers will boost demand for suites, concierge lounges and lighter menu items.
- Hotels will economize by scaling back the size of restaurants and banquet rooms, or placing cafes and lounges in lobby areas.
- Non-smoking rooms will become more popular.
- Some restaurants will combine theme-type grazing menus for residential customers with more traditional menus for business travelers.
- Capitalizing on concern about drunken driving, hotels will promote weekend packages that encourage guests to stay overnight after festive occasions.

much difference in the restaurants. But that's beginning to change," says Denn.

Learning how much the concept counts, hotel operators will, increasingly, replace the all-purpose restaurant with *brasseries*, sushi bars, takeout counters, pastry kiosks in lobbies and casual dining spaces that convert into nightclubs by night. Separate signs, entrances and telephone lines will help entice outside traffic; ideally, says one consultant, the restaurant customer won't even realize he's in a hotel.

Winning the amenities war

The No. 1 amenity may be great food and beverage service, but hotels arming themselves for the amenities war also will install in-room safes, reclining chairs, hair dryers, personal computers and FAX machines.

Well-stocked mini-refrigerators will become a standard piece of room equipment in 1988. In-room microwaves coupled with vending machines stocking frozen entrees will also be popular. Some of this may cut into room service sales, but hotels can make up for the loss by extending the service to adjoining apartment buildings and business offices.

Joint ventures—hazardous?

Joint ventures between restaurant and hotel chains have been much touted as the wave of the future. Indeed, this has worked for some chains with little expertise or interest in foodservice, especially those in mid-priced segments. Five Embassy Suites properties, for example, house modified Steak & Ale outlets. Days Inn and Wendy's have teamed up at more than a dozen locations.

Nonetheless, experts consulted by *R&I* expressed doubts that bringing in a restaurant partner will be the answer for a majority of hotels.

"I've been involved throughout my professional life in lease-type arrangements, and I've never seen one work to the benefit of both operators," says Denn. "The problem is that the hotel operator loses control." He thinks hotel operators who keep the reins in their own hands will have the competitive edge.

Despite the hotel industry's food-and-beverage identity crisis, most executives are optimistic about 1988. "If it's anything like last year, I'm looking forward to it," sums up Staib.

—Toni Lydecker

Aurora is a restaurant in the Radisson Hotel South and Plaza Tower, Bloomington, Minn.

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■ CONVENIENCE & GROCERY STORES

Takeout drives supermarket, c-store sales as changing life styles call for ready-to-eat meals.

Hordes of grocery shoppers, spoiled by fast food's cash-and-carry convenience, pass by even the easiest-to-prepare groceries on supermarket shelves and spend their money on takeout food.

In takeout lies the bulk of 1988's sales, supermarket operators agree. "Grocery sales will remain flat," says a spokesman from Publix, a supermarket chain with headquarters in Lakeland, Fla. Takeout is a growth area, he says, because changing life styles leave consumers with neither the time nor desire to cook.

As takeout begins to cannibalize sales of packaged groceries, supermarket operators are spending more money on full-service delicatessens, and fresh fish and produce sections. Publix sells hot entrees such as lasagna, beef stew and roasted chicken by the pound in its full-service delis. The chain is testing salad bars in several of its 333 stores.

The stores, scattered throughout Florida, cater to a wide variety of consumers, some of whom are just getting used to the takeout idea. "We're seeing more senior citizens, who are beginning to acknowledge the price/value benefit of hot takeout food," the spokesman says.

Vons, El Monte, Calif., also sees takeout as a growth area. About 10 months ago, the company started sending chefs to its stores to develop takeout recipes and teach those recipes to store cooks. The program is now in place in 35 of the company's 200 stores.

"The key is to offer a quality product that looks good and tastes good," says Bill Hyde, vice president of specialty foods development. "The chefs start with the same basic recipes people use at home, and the customer ends up with a quality product." To control quality, Vons prefers to sell cold or heat-at-home entrees, rather than entrees that are kept hot at the store. Cold vegetable salads are popular, Hyde says.

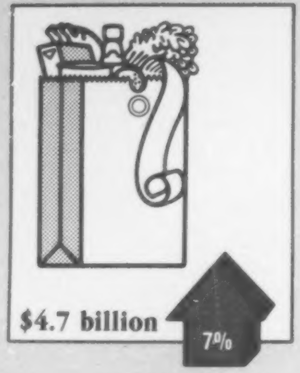
Hyde does not necessarily agree that takeout sales cannibalize grocery sales. "I'd be hard pressed to prove that," he says. "We generally see sales increases all around."

Convenience stores, one of the most talked-about industry segments last year, continue to grow, thanks to in-

continued on page 78

Baked
1.79
Macaroni Salad
.89
2.29
1.39
1.99
1.79
1.79
1.79

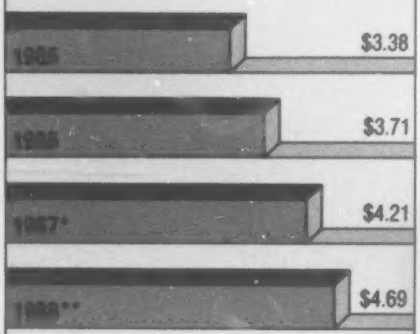
Grocers expect takeout foodservice sales to rise while grocery sales will remain flat.



TAKEOUT, CONVENIENCE GAIN IN IMPORTANCE

C-stores sales, spurred by consumers in search of faster fast food, will rise and continue to nibble at traditional fast-food sales. Grocery-store operators see in-store delis and salad bars growing rapidly and have adjusted their focus accordingly.

(food and non-alcoholic beverage sales in billions)



1988 units: 63,800

1988 market share: 2.3%

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*preliminary **forecast

1988 ANNUAL FORECAST

WHAT'S NEW FOR 1988

- The grocery/c-store segment, which grew 9.4% last year, is tapering off slightly: *R&I* sees 7% real growth, the healthiest of all the segments.
- Increased demand for ready-to-eat meals continues to spark growth in nontraditional foodservice outlets. And the convenience of one-stop shopping attracts different types of customers.
- Joint ventures between c-stores and fast-food companies may be waning: Southland stopped its tests with Hardee's, and Circle K made an agreement with Pantera's, but now says the deal is not "economically sound."
- C-store operators expect sales to increase as store managers become more accustomed to running beverage stations and sandwich counters.
- Grocery sales will remain flat, due to increased interest in supermarket's takeout sections and consumers' unwillingness to prepare food.

The c-store sales surge continues.

creased demand for convenience. "Convenience stores are easier to get to, they're in more neighborhoods, and customers can do a lot of things under one roof," notes Fred Wintzer, vice president at Alex. Brown & Sons, Baltimore. Speedy-service breakfast programs and a wide variety of snack items are helping c-stores nick fast-food sales.

Wintzer foresees good growth for the segment, regardless of the turns the economy might take. "Convenience stores thrive on sales of six-packs, cigarettes and soft drinks," he says. "Sales of those products don't slow down in a recession." He warns, however, that the c-store market is almost at the point of saturation, and segment innovators, such as Southland Corp., are cutting back on expansion. Southland's Thompson family took the company private last summer and is expected to stop building new stores and sell about 1,000 existing stores.

As Southland cuts back, c-store watchers' eyes are turning toward Circle K Corp., the Phoenix-based operator of about 3,600 convenience stores. Stephen Schwitalla, senior vice president of foodservice at Circle K, says the company plans on 25% growth in foodservice sales. Part of this growth will come from the addition of 150 new stores; part will come from aggressive promotion of foodservice programs. Circle K's fast-food sales were $190 million last year, and are expected to reach $240 million this year.

Circle K plans to expand its Thirstbuster self-service soft-drink program and its hot dog program. Hot dogs are now available in 75% of the units and will be available in 95% of the stores by spring. About 80 locations in Florida and Texas offer pizza, whole or by the slice, baked on premises. Schwitalla says the test is doing "respectably well."

Brisk breakfast traffic has prompted the company to promote Dunkin' Donuts and other branded doughnuts, which are delivered to the convenience stores from the doughnut stores every morning. "The doughnuts attract a different kind of customer than we usually see," says Schwitalla.

Why? In Circle K's biggest markets, it is easier for customers to find a Circle K than a fast-food store. "We outpace our nearest competitor in store locations by 10 to one," he says, noting that the company operates 300 stores in Phoenix and 275 in Houston. "Our high visibility is why we're doing as well as we are."

While selling brand-name doughnuts in the stores seems to work, Circle K isn't sure about joint ventures that put a fast-food unit into a c-store. The company made such an agreement with Pizza Inn, Dallas (now owned by Pantera's Pizza, St. Louis), but has yet to open the first Pizza Inn/Circle K store. "We didn't feel the plan was economically sound," says Schwitalla, adding that Circle K still may act on the agreement.

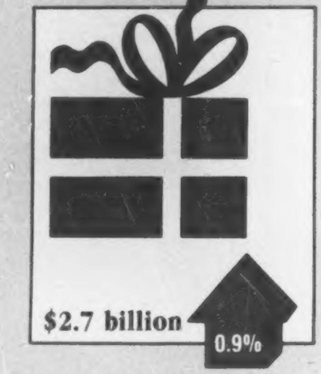
Schwitalla says Circle K management does not foresee a recession, but admits that a severe economic downturn would curtail sales growth to 10% to 15%.

Other c-store operators question the effect of a recession on c-store sales, which are typically low-ticket. "We see growth no matter what the economy," says Patty Hohag, director of foodservice at SuperAmerica, Bloomington, Minn. "If there's a downturn, our good price-value will draw a bigger customer base. If the economy stays healthy, our customers will stay with us because of the convenience factor." Better operational controls, the result of more experienced store personnel, also will contribute to growth.

Although SuperAmerica's expansion will slow in 1988 (10 to 15 new stores compared to 25 last year), the company plans to expand its SuperFast program into existing stores. SuperFast is a completely self-serve island offering soft drinks, ice cream, baked goods, frozen hamburgers and premade sandwiches.

—Lisa Bertagnoli

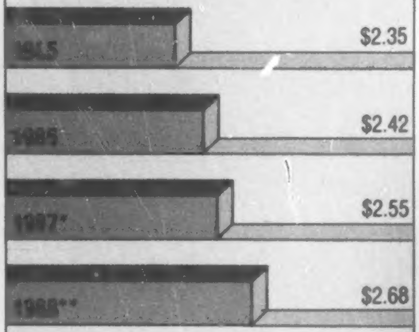
1988 ANNUAL FORECAST



INCREASE IN SPENDING MAY BUOY RETAIL SALES

Even though mainstream retailers have been shifting their focus from foodservice to merchandising during the past several years, in-store foodservice sales continue to rise. Retailers who haven't abandoned foodservice are experimenting with smaller, limited-menu concepts.

(food and non-alcoholic beverage sales in billions)



1988 units: 28,800

1988 market share: 1.3%

1988 beverage alcohol sales: $3 million

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*preliminary **forecast

■ RETAIL

In-store foodservice sales are expected to rise slightly, in sync with consumer spending.

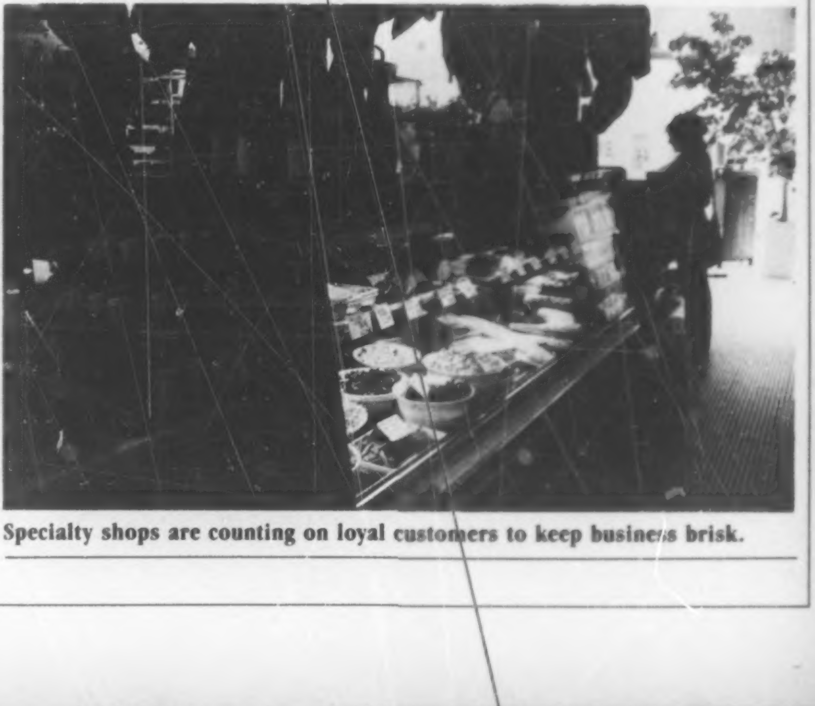
Most department-store managers once viewed foodservice as a customer draw. Now they consider it at best a necessity and at worst, a hindrance.

The exceptions are stores such as Neiman-Marcus, which have elevated in-store foodservice to the level of fine-dining restaurants and upscale food boutiques. These stores, which can depend on a flow of affluent customers to boost sales, and retailers, who offer basic snack bars, are expected to lead the sales growth for the retail segment of the industry. *R&I* predicts real growth (factoring out inflation) of 0.9%. Retail operators agree.

■ "We don't expect a boom," says Bob Laird, vice president of foodservice at McCrory Stores, York, Pa. McCrory's 325 stores offer foodservice ranging from snack bars to cafeterias; the company also operates several Roy Rogers restaurants. Although McCrory does not plan to expand foodservice this year, the company is experimenting with several new concepts, including a diner, top-it-yourself hot dog stand, and hot and cold food bar.

■ Specialty stores offering takeout and eat-in coffee, pastries and sandwiches will prosper. Several chains, including Starbucks Coffee in Seattle, Gloria Jean's Coffee Bean in Chicago and Oh! La La in San Francisco, have picked 1988 as their year to grow. Explains Robert Moran, president of Oh! La La: "We're bullish because our basic product, coffee and pastry, is something people won't give up, even if we go into a recession. Our average ticket is about $1.40, and it's the big-ticket items that go during an economic downturn."

■ The convenience factor will keep sales going for upscale takeout grocery stores, says Charie MacDonald, chef and owner of Beautiful Food, Winnetka, Ill. "The best example is working women who don't have time to do everything," she says. "By the '90s, all the pressure and guilt will be gone." MacDonald's customers, who hail from affluent Chicago suburbs, are buying more hors d'oeuvres, hot entrees, individual-sized desserts, and demanding variety and service, she says. MacDonald projects a 10% increase in takeout sales. Grocery sales, however, will remain flat. "No matter how simple, people just don't want to prepare things," notes MacDonald. *—L.E.*



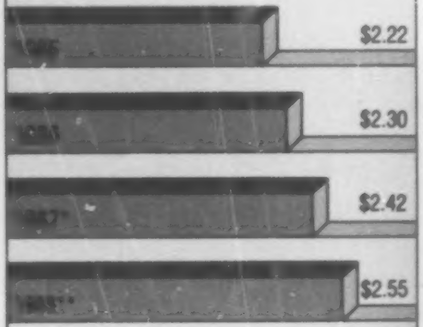
Specialty shops are counting on loyal customers to keep business brisk.

1988 ANNUAL FORECAST

$2.5 billion 1.1%

THEME PARKS SET GROWTH PATTERN
Walt Disney Co. witnessed double-digit increases in sales in the past two years, accounting for nearly 10% of the entire recreation segment and leading the growth trend. Attendance at spectator sports has dropped in recent years, but admissions to motion pictures are up, as are snack purchases.

(food and non-alcoholic beverage sales in billions)



1988 units: 25,000

1988 market share: 1.2%

1988 beverage alcohol sales: $382 million

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*preliminary **forecast

■ **RECREATION**

Sports stadiums and amusement parks add ethnic-food snacks to concessions.

Projections for the diverse recreational foodservice segment are hard to call. *R&I* notes that Walt Disney Co.'s food sales have climbed over 10% a year for the past three years. Spectator sports, however, witnessed a 4.4% decrease in sales in 1986, and *R&I* estimates that sales will continue to drop by 0.5% and 1.5% for 1987 and 1988, respectively. And yet, the increase in vacation intentions for 1988 forecast by *R&I* bodes well for theme parks and other recreational destinations.

In other news affecting the recreation segment:

■ In addition to the hot dogs, peanuts and cotton candy traditionally consumed at sports stadiums. Americans enjoying their favorite pastimes are scooping up nachos, pita sandwiches and other ethnic-food snacks.

■ To appeal to families, Wrigley Field, Chicago, and other stadiums have designated no-drinking "family sections."

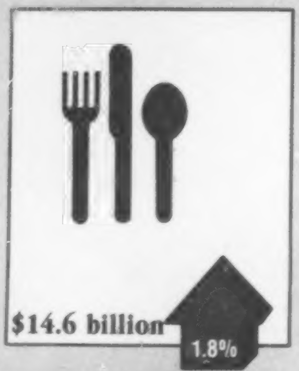
■ Theme parks are placing a greater emphasis on marketing their food to appeal to adult vacationers. Parks with international themes such as Walt Disney World Epcot Center, Lake Buena Vista, Fla., and Busch Gardens, The Old Country, Williamsburg, Va., provide a world of options for eating. Each section of their parks is designed to represent a different nation and each contains a restaurant serving ethnic food. The restaurants offer a wide range of prices and service styles—from cafeteria to full service.

■ Destination package is the buzz phrase for marketing theme parks outside California and Florida, the states leading in American tourism. Busch Gardens, for example, promotes Virginia's Tidewater Area as a vacation destination, citing nearby Jamestown Island and other attractions.

■ After declining 11.4% in 1985, motion picture admissions rose 3.5% in 1986 and are expected to rise 6.9% and 2.2% in 1987 and 1988, respectively, according to the U.S. Department of Commerce. *—George Curran*

Busch Gardens, The Old Country, attracts the adult market by promoting its foodservice.

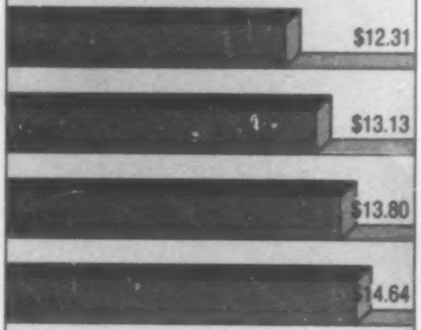
1988 ANNUAL FORECAST



GROWING WORK FORCE BOOSTS SEGMENT SALES

A major rise in civilian employment, the biggest since the decade began, partly accounts for the projected sales increase of 1.2% in 1988. The number of employed climbed 2.9% in 1987, and will hit 3% in 1988. The trend away from blue-collar accounts continues, as contractors are opening more office building dining facilities.

(food and non-alcoholic beverage sales in billions)



1988 units: 25,000

1988 market share: 7.1%

1988 beverage alcohol sales: $48 million

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■ EMPLOYEE FEEDING

Cafeteria meal subsidies are on the way out; catering and takeout are on the way in.

The days of subsidized company cafeterias are going the way of prop planes and electric cars. "Within five years, employee foodservice will be profitable," forecasts Phillip S. Cooke, executive director of the Society for Foodservice Management. Few in the industry disagree with this statement. In fact, many experts think that a good number of the self-operated B&I foodservices, now about 20% of the market, will soon be turned over to contract companies—in an attempt to save money.

There will also be higher quality and more flexible foodservice for a decreasing-in-number blue-collar clientele, in an attempt to cut down on turnover and increase productivity. Some industry authorities even expect cafeteria meals to be subsidized—a rarity in the past. In fact, most trends that will be seen in this market segment during the upcoming year will, in some way, be a result of financial concerns on the part of company managers.

White-collar customers will probably be provided with even more upscale meals, so they will conduct more business meetings in-house instead of going outside. This is a result not only of tax law changes, but also a concerted effort to maintain better control over meal quality and service. Says one company executive, "If I'm trying to seal a $300 million deal, the last thing I want is shoddy wait service." As a result, many foodservices are hiring trained chefs to upgrade the quality and presentation of all meals.

Most foodservice departments, whether they are self-operated or run by a contract company, will also continue to look for other revenue sources. These profit centers are ranging from frozen takeout meals to on-premises stores and boutiques offering everything from video tape rental to jewelery and other fashion accessories.

"Management is concerned that to remain competitive with overseas products, we've got to keep employees 'on-campus' and efficient and productive," comments an independent foodservice operator. "Management would rather

continued on page 90

Cold Drinks
Snacks
Hot Drinks

ARA's Restaurant Collection is midway between a vending-only operation and a full-scale cafeteria.

1988 ANNUAL FORECAST

WHAT'S NEW FOR 1988

- Meal subsidies are out at white-collar employee-dining operations. Today's buzzwords are profit and loss.
- More aggressive and creative merchandising efforts are the keys to success.
- The shift is back to basics with a return to scratch cooking.
- Cook-chill and pouch cooking methods will come under closer scrutiny.
- Smaller, energy- and labor-efficient kitchens are being installed with an eye toward multipurpose equipment.
- Thanks to computerization, more cashier systems and charge card programs are being tied into payroll plans.
- Predictions are that coinless vending will be the new wave of the future.
- Video tape rental stores, shops and boutiques on cafeteria premises could become viable profit centers.

employees did their errands, such as dropping off and picking up their cleaning, in the building rather than using their lunch hours. And, let's be serious, management isn't adverse to collecting fees for providing such services." (In most instances, these non-foodservice-related services are run by local, commercial establishments.)

While takeout works for some, it doesn't for others. At self-operated Eastman-Kodak headquarters in Rochester, N.Y., foodservice director Bill Lembach reports that the company bakery sells 500 to 700 fresh pizza pies for takeout on an average Friday.

But Joe Fassler, president and chief oeprating officer of Greyhound Food Management Inc., doesn't hold much hope for takeout because to be successful, cafeterias must be able to sell signature items that are better than those offered any place else. Otherwise, he says, employees won't buy the products. And, he adds, keeping cafeterias open after 5 p.m., when employees would tend to make purchases, is costly.

Many in this segment also think that there will be more centralized processing, too. In January 1988, for example, Kodak will unveil a new, 54,000-square-foot, state-of-the-art food processing center, a totally integrated system incorporating meat processing, baking, vending supply, hot and cold food preparation and an experimental cook-chill process that holds prepared foods up to 45 days.

Nutrition will also remain a concern in the upcoming year. Companies are becoming more and more aware of the huge cost of health insurance and illness to their bottom lines. For most foodservices, this means a back to basics in terms of food quality. Michael Barclay, vice president of Birmingham, Ala.-based Southern Foodservice Inc., cites scratch cooking as the current trend and wave of the future.

Although employees may have to pay higher prices for these meals, most are willing to do so, discovering, in many instances, that their in-house foodservices now provide food and cafeteria environments that rival many local coffee shops and restaurants.

David Hatch, vice president of marketing for ARA Services' Business Convention and Personal Dining Group, says his company also is cooking from scratch. "We want to get away from frozen hockey pucks and give our customers good, 8-ounce hamburgers," he says.

Flexibility will also be key in the B&I segment. ARA is filling the gap between its vending and cafeteria operations with a concept called the Restaurant Collection, a series of four modular systems designed to fit separately or together in any size space or configuration. This building-block approach allows an operation to be expanded from a quick-service to a casual, sit-down system if an area must be enlarged or customer counts increase. The units include hot and cold serving counters, soup and salad bars, grill and fry lines, and beverage stations.

Pouch cooking may soon make inroads into employee-feeding operations. The advantages, manufacturers claim, are less shrinkage, longer shelf life, fast cooking times and reduced labor costs.

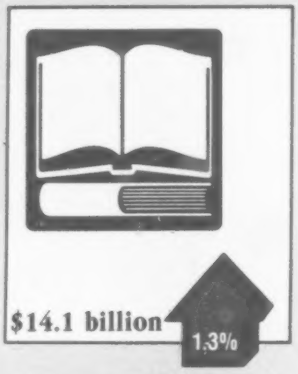
Outside catering will also continue to play an important role as a revenue source. Many office buildings and banks, equipped with large modern kitchens, stand idle on weekday evenings and weekends. ARA, which introduced a nationwide retail catering operation called Classic Fare in Cincinnati two years ago, is going head-to-head with local caterers. The company's 40 vending kitchens from Philadelphia to San Diego, once used only to support vending operations, are being prepped to take on catering contracts full tilt.

An additional change will be more creative and aggressive merchandising and marketing, particularly at the unit level. And the unit level, after all, is where the law of profitability starts.

—Barbara Magan Dawson

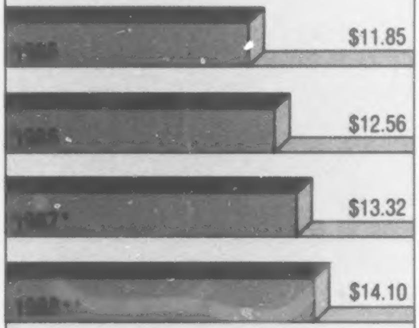
Restaura's (Greyhound) Eatin's Easy

1988 ANNUAL FORECAST



FUNDING CUTBACKS SEEM INEVITABLE
Even though food sales in schools are expected to increase, more of the money used to purchase these food items will be coming from students and their parents—not the government. A decrease in government support may well mean students will be faced with far fewer meal options, though few foodservice directors expect a return to the "no-frills" lunch of yesteryear.

(food and non-alcoholic beverage sales in billions)



1988 units: 89,300

1988 market share: 6.8%

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■ SCHOOLS

Districts fear turbulent economy and cutbacks will hurt school lunch programs.

"The kids attending our schools seem to have more money in their pockets," states a school foodservice director from a large Midwestern district. "In September 1987, our income was up $150,000 over September 1986; that's a big increase for us. But given the turmoil in the economy right now, I can't see that situation continuing."

"We've been lucky the past two years," says a director from the Southeast. "We've had no cuts in lunch program reimbursements; in fact, there's been a slight increase. But given the budget deficit and the situation on Wall Street, I bet we're going to have to mount a real serious lobbying effort. We could well be in some trouble. If the situation gets real bleak, we'll be back serving no-frills lunches to kids. That's not all bad—it was the original intention of the program. But we've come so far since then."

Others think that a "no-frills" program will mean selections of almost entirely fast-food items.

What else do the probable cutbacks mean to school foodservice programs?

■ More pre-portioned items. Although offer-vs.-serve options will increase, directors expect to wrap more menu items. Comments one veteran, "There's just no supervision in schools anymore and self-service bars are being abused."

■ More attention paid to employees. Many school foodservice directors are finding it difficult to hire part-time help. "We thought we were so smart, hiring part-timers to save on benefits, but that tactic has backfired," says a director from the Northeast. "I'm willing to kiss the feet of new employees if that's what it takes to keep them. To have any stability in our work force, we're going to have to work more cooperatively with employees."

■ Closer working relationships with manufacturers. Most school foodservice directors think that the public and government will be closely examining the nutritional content of school meals and, as a result, manufacturers will have to upgrade the quality of offerings available to schools. "We've got to get the fats out of foods, put vitamins in french fries, add appropriate seasoning to foods—whatever it takes to provide kids with nutritious foods that they'll eat," says a disgruntled director. "The government is looking for places to cut the budget; I think we're being set up. There will be a lot of investigations and negative press stories this year."

■ More ethnic and finger foods. Mexican and even Greek foods are readily accepted by school children today and more ethnic finger foods—gyros, for example—are expected to make their way onto school lunch menus.

■ Increased testing for contagious diseases. "The fear of catching AIDS has made everyone more sensitive to the testing issue," says one director. "I would heartily support testing. I expect it to be mandatory very soon."

■ Sophisticated and integrated marketing programs. Directors concur they'll become more involved with communities and the entire education system. States one, "It's the responsibility of all of us—and I'm not just talking about school lunch employees—to try to keep kids in school, away from drugs and consuming healthful meals until they grow up enough to make an honest-to-goodness adult decision."

—*Susie Stephenson*

How much choice will students have?

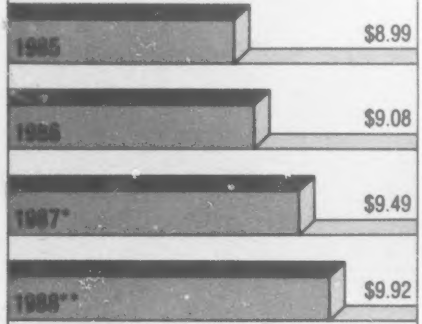
1988 ANNUAL FORECAST

$9.9 billion
0.3%

NON-PATIENT MEAL REVENUES INCREASE

The modest increase projected in hospital foodservice sales will most likely derive from non-patient meals. DRGs have meant shorter patient stays and sicker patients—many more are on nutritional supplements than in years past. However, foodservice directors and dietitians are becoming more competitive with commercial restaurants.

(food and non-alcoholic beverage sales in billions)



1988 units: 6,890

1988 market share: 4.8%

1988 beverage alcohol sales: $22 million

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■ **HOSPITALS**

Marketing, promotion efforts increase as directors anticipate "son of DRGs."

"All anyone is worrying about these days is 'glitz,'" says a hospital foodservice director who works in the Northwest. "We've got to get back to basics. We can't forget that patients are our *raison d'etre*."

"Fewer than 30% of our meals go to patients," counters a different foodservice director. "The other 70%—cafeteria meals, catering and such—are the meals that put dollars in our coffers. Now, I'm not saying we should ignore patient meals, but economics dictate patients no longer should be the focus of our attention."

Why such diverse opinions about the future of hospital foodservice?

According to most of the hospital foodservice directors and dietitians contacted by *R&I*, the confusion is a direct result of government action—or lack thereof. "We know what DRGs have done," says a health-care consultant. "Now, everyone is waiting for 'son of DRG.' Until the government knows how big the deficit will be and the size cuts that will be made—and, not incidentally *where*—no one is quite sure what's going on in terms of reimbursements. For instance, some people think the drop in patient census has bottomed out. Others just aren't convinced."

Regardless of where they stand on the patient/non-patient meal issue, most hospital foodservice directors see a need to generate new sources of revenue (or increase the amount of revenue earned from existing services). Many also agree that hospitals must further differentiate themselves. "No longer will hospitals try to be all things to all people," explains a director from the East. "We'll see much more sophisticated marketing, particularly in areas with a heavy concentration of health-care facilities—Minneapolis and Seattle, for example. Hospitals will concentrate on performing only those services that they can do well—and at which they can make money. They'll further define their audiences and refine their marketing efforts. We went through a stage where general hospital advertisements abounded; they were on buses, highway billboards and even in baseball stadiums. We'll no longer see such a 'shotgun' marketing approach."

Regardless, foodservice will be included in many marketing efforts. Research shows that the first time patients enter a hospital it is usually the result of

Labor shortages will result in food-production system changes.

1988 ANNUAL FORECAST

WHAT'S NEW FOR 1988

- A lack of qualified and dedicated employees at all levels. Contract companies will likely benefit from this trend—enticing employees with promises of careers, not just jobs.
- The wasteland of trained (or trainable) employees will probably result in implementation of more cook/chill systems.
- Contract companies will make inroads, touting their ability to provide the necessary basics—and at a fair price.
- An increase in home health care. Nutritional support provided in homes prior to and following hospitalization will be critical to patients' well being. (Some hospitals now produce their own modifed diet meals to go.)
- Lighter patient meals. Patients will demand—and receive—more healthful meals that are low in fat and salt yet still tasty.
- More creative patient services. One director plans to offer downscaled room service, allowing patients—and nurses—to order pizza after meal service.
- More concern for cafeteria customers' dining experiences, including noise and light levels.

a doctor's referral or because the hospital is noted for performing a particular service very well. The second time, however, patients' choices can be dictated by prior foodservice experiences.

Following are other changes hospital foodservice directors expect to occur during 1988 and the years beyond.

Patient meals

More standard, cycle menus will be developed. Patients are finding the restaurant-style menus that have recently proliferated on patient trays boring. "Even if they choose a different meal for a week," comments one director, "patients find a menu dull if they look at it for seven consecutive days."

In addition, directors predict a change in the scope of menu offerings. Since patients will be more debilitated and their hospital stays shorter, most foodservice directors and dietitians expect the use of supplements and formulas to rise.

Two-tier meal programs also are on the horizon. As cost constraints tighten, patients will be provided with "no-frills" foodservice. However, upscale meals will be available to those patients (and guests) who can—and want to [illegible] them. (VIP suites will also be used as a marketing tool to attract *clients*, as patients will be called.)

Cafeteria meals

Look for more flexibility here. Pizza might still be the most popular menu item in hospital cafeterias, but one director claims, "We've got to be able to change our operations to offer what's in right now. Drum-style chicken pieces have come and gone, as has stir-fry; Mexican is on the wane.

"If the economy continues to tighten, we'll be serving more meat and potatoes. Customers will want meals that not only nourish them but fill their bellies."

Ethnic meals also will play a changing role. Mexican, Italian and Chinese menu items won't be the focus of theme events; rather they'll be incorporated into daily menu selections.

Foodservice directors say they will step up marketing efforts to boost cafeteria traffic. "Cafeteria customers will be more tight-fisted with their meal dollars," laments one director. "Unless we offer foods that people want and promote the heck out of them, our customers will go outside for meals."

Two-tier patient meals will be provided—no frills and gourmet.

To thwart that possibility, many directors are starting to offer more "commercial" foods. A hospital north of Chicago buys pizza from a popular local pizza shop, reheats it and sells the product in the cafeteria. Other hospitals have become burger chain franchisees.

Part of the marketing effort will be an increased emphasis on theme days. Everyone in hospitals, from administrators to patients' visitors, will be encouraged to participate in special events whether they be pumpkin-carving contests or outdoor picnics.

The for-profits

Not long ago, the for-profit hospital chains were making newspaper headlines almost daily as they bought up hospital after hospital across the country. Now they're making headlines because they're selling them. Basically, the panacea they had envisioned seems to have caused more harm than good. Most experts expect the for-profits to maintain a rather low profile in the next year, continuing to sell off their unprofitable hospitals and subsidiaries (or closing them), selectively pursuing the profitable ones and expanding into other businesses—not necessarily related to health care.

"I expect we'll see the for-profit chains entering the shopping mall and parking lot businesses," says one director. "They've taken a real bath recently. They're going to expand their bases of operation but, simultaneously, be a lot more cautious." ***—S.S.***

1988 ANNUAL FORECAST

■ COLLEGES & UNIVERSITIES

Commercial approach to services and dining facilities keeps students on campus.

The major growth in college and university foodservice will probably stem from expanded efforts to capture more of the total food dollars spent by the campus community. Although the U.S. Department of Education projects a 1% increase for 1988 in college and university enrollment, *R&I* projects only 0.4% real growth in campus foodservice sales.

Improved and diversified services account for much of the projected sales growth. Rather than lose food dollars to commercial operations off campus, many colleges and universities have already opened or plan to open their own fast-food restaurants, convenience stores, retail bakeries and even hotels.

Donald M. Jacobs, executive director of hospitality services at University of Pennsylvania, Philadelphia, says that incoming students are much more sophisticated now than in the past and they expect the same options and convenience at meal time as they have at home. But, he notes confidently, "We know our market." His market includes guests of Penn Tower, the 21-story hotel the university purchased last year for $17.9 million.

In other developments:

■ Many schools are inspecting ways to make meal plans more attractive. Aside from access to cafeterias open 12½ hours each day, the University of Tennessee's meal plan gives students $50-per-quarter allowances to use at the university's three convenience stores and five bakery outlets. Students may obtain food on their meal plan as late as 2 a.m. at the dormitory c-stores, which feature deli counters and packaged goods.

■ The glut of relatively high-paying jobs off campus and the willingness of many parents to fully subsidize their children's first two years of school has left many college foodservices short on student labor, says Jacobs. In the coming year, many universities will review salary rates and perks and launch campus recruitment programs. —*G.C.*

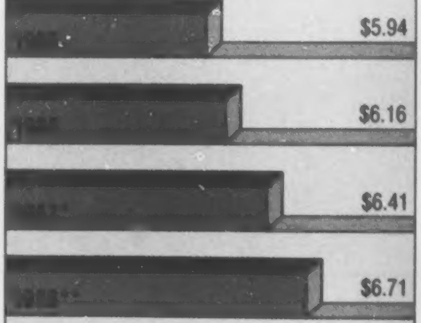
Expanded service encourages students to spend their meal money on campus.

$6.7 billion 0.4%

COLLEGE ENROLLMENT UP, AND SO IS COMPETITION

To compete with neighboring fast-food restaurants, campus foodservice operations are offering broader selections and emphasizing quick service and food freshness. Concurrently, many colleges have allowed food and convenience-store franchises to move onto campus property. For many facilities built in the '60s college boon, the time has come to rebuild and refurbish.

(food and non-alcoholic beverage sales in billions)



1988 units: 3,350

1988 market share: 3.2%

1988 beverage alcohol sales: $38 million

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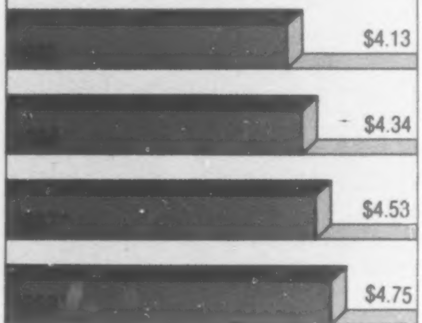
1988 ANNUAL FORECAST

$4.7 billion 0.3%

MILITARY MARCHING TO A DIFFERENT DRUMMER

As commercial competition on military bases becomes a greater concern, market research is intensifying to pinpoint troops' preferences in both products and services. Menus are reinforcing nutrition initiatives and providing soldiers with greater opportunities to select a well-balanced diet.

(food and non-alcoholic beverage sales in billions)



1988 units: 3,320

1988 market share: 2.3%

1988 beverage alcohol sales: $399 million

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■ **MILITARY**

Quality menus prove to be mess clubs' best defense against outside competition.

Military foodservice personnel continue to focus a keen eye on commercial trends, as all branches of the armed services are putting greater emphasis on training, variety, quality and healthful options.

At Army installations, items such as low-calorie salad dressings are helping reduce fat intake. Increased servings of low-calorie breakfast breads are cutting into consumption of high-calorie doughnuts and pastries. The Air Force introduced breakfast bars, using existing salad bar equipment, providing both convenience and non-traditional breakfast favorites.

The Air Force has also put a strong emphasis on automation of foodservice programs at the base level. Computers are being installed at dining halls to log production, menus, recipes and inventory, allowing for future forecasting and menu portioning.

Military foodservice reports little impact from commercial outlets on base. "Young people see us as the best buy on the base," says Germaine Gotshall, the Air Force's chief of the food management division. "The chain restaurants were novel at first, but the troops were quick to realize it was money out of their pockets when we offered the same food anyway."

At the club level, response to growing competition from restaurants outside the bases has been much more intense.

In attempts to provide the same service found at commercial operations, the Navy Mess (club) system has turned its attention to training and promoting. Menus are becoming more varied and cater to regional ethnic trends.

Because more families can be found on military bases, many clubs are becoming family-oriented, providing children's menus.

Because 9,000 enlisted personnel under 21 years old can no longer drink alcohol, the Army Clubs and Recreation system is successfully beefing up its food sales. Sales are up 30% at Fort Bragg in Virginia since the manager at the non-commissioned officer's club began emphasizing food as opposed to drink. The manager had particular success with lighter fare.

Preparation of war-time rations will be emphasized.

Here are some of the items on the agenda for military foodservice programs in 1988:

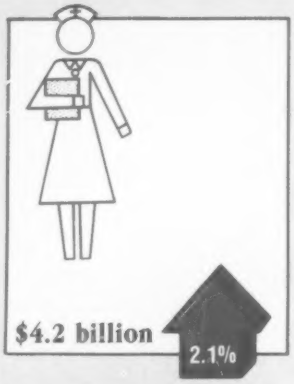
■ The Air Force will continue the crusade led by the surgeon general to provide items lower in cholesterol and sodium to reduce incidence of heart disease. Starred items on the Sensible Limited Intake Menu (SLIM) will be prepared with less salt, gravies and sauces. Some facilities are exhibiting sample trays to give the troops a sneak preview of meals.

■ The Army clubs will publish operating specifications in 1988 to establish a quality baseline for facilities worldwide. Prototype administrative procedures, catering menus, brochures and promotional packages will be created and distributed in hard copy and on computer disk.

■ Feeling the pinch of untrained personnel, especially as Congress clamps down on appropriated funds, the Army clubs are recruiting from the hotel and restaurant schools in an effort to bring better-trained personnel into the system.

—***Jeff Weinstein***

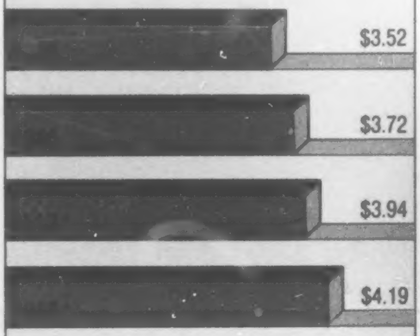
1988 ANNUAL FORECAST



MORATORIUM SLOWS SEGMENT GROWTH

Although the elderly population continues to grow, creating a need for more nursing homes, moratoriums in certain states on nursing home expansion have caused demand to outstrip supply. One part of the segment that is enjoying rapid growth, however, is the life-care center, which caters to the more affluent, healthier senior citizen.

(food and non-alcoholic beverage sales in billions)



1988 units: 23,100

1988 market share: 2%

1988 beverage alcohol sales: $23 million

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*preliminary **forecast

■ **NURSING HOMES**

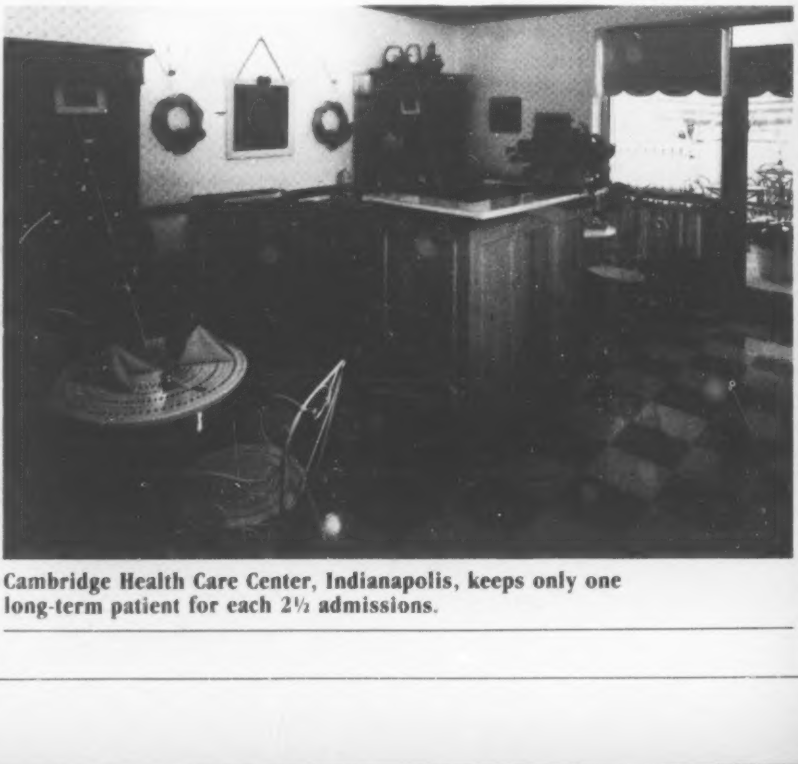
Healthier, wealthier elderly demand new-types of nursing care and retirement facilities.

It is hard to ignore 2 million people—the projected population of elderly in nursing homes by 1990. The growing population of Americans over age 65, a healthier, more affluent population than ever before, has changed the nature of the nursing-home industry. In addition to traditional full-care nursing homes, there are now facilities called life-care centers that are geared to older people who are able to take care of themselves but don't want the hassles of home ownership anymore.

Traditional nursing homes today are dealing with a different kind of patient. Because of increasing incidence of day care for the elderly, community health-care organizations and visiting nurses (which allow people needing minimum care to stay at home longer) and early hospital release, people who do enter nursing homes are often sicker when they arrive and need assisted care. These people are also more likely to return home for recuperation. "We are discharging more people than ever before. We now need to have two and a half admissions for every one person we keep long-term," says Karen Talbot, administrator at Cambridge Health Care Center, Indianapolis, a 120-bed nursing home.

This new population has had an impact on nursing-home foodservice. The type of patient and level of care is changing. Foodservice operators are catering to a more alert and demanding patient. "We need to be much more attentive to special diets for recuperation," says Talbot. "We are now dealing with patients who know what they like and don't like. The food spectrum has to improve." A typical menu at Cambridge includes scalloped flounder au gratin, almond pilaf, vegetable marinate, and ham and bean soup—hardly a stereotypical nursing-home diet.

Funding continues to be a problem in nursing homes, which affects expansion, employment of nurses and aides, as well as the quality of foodservice. But legislation aimed at ensuring quality of long-term care has been slow in coming. As a result, many states have placed



Cambridge Health Care Center, Indianapolis, keeps only one long-term patient for each 2½ admissions.

moratoriums on nursing-home construction. Existing nursing homes wishing to expand and developers wanting to build new facilities have been handicapped by these moratoriums, and the American Health Care Association estimates only a 2% increase in number of beds over 1986 totals.

One of the trends in the nursing-home business is the growth of regional, local and national chains. It is often more financially feasible for chain, rather than independent developers, to build a new type of nursing home with a continuum of care.

Alternative life-care centers

The newest segment of the nursing-home industry, life-care centers, is designed specifically for elderly who are ready to give up home ownership and are looking for living situations that provide comforts and conveniences in their own hometowns. The Highlands in Fall River, Mass., is one such development.

The property started out as a hospital, and the building was purchased jointly by Claremont Co. Inc. and J. Karam Management Co. after the hospital merged with another in the area. The facility was gutted and redesigned. A fine-dining restaurant and more casual cafe were built overlooking the swimming pool, whirlpool and terrace and leased to an outside operator. Barber and beauty shops, a bank and convenience store also became part of the "Main Street USA" shopping area. These amenities are available for residents and their guests. The foodservice is partially subsidized to encourage patronage.

ARA Services' health-care division, the largest privately held provider of long-term health care and the third largest chain, also is looking to provide service for healthy older people. Although the company currently has no retirement centers, ARA is planning to build life-care facilities connected to or near existing nursing homes.

The next generation of living

What is the future of the nursing-home industry? Clearly long-term acute care will exist side-by-side with life-care communities. Financing for the building of new facilities will continue to be a problem.

New regulations are forcing nursing homes to reform standards, including number of nurses in homes and type of training for aides and nurses. Yet there is a serious shortage of trained personnel, exacerbated by inadequate pay. Julie Ditzler, administrator at Nile Health Care Center in Minneapolis, sees the nursing shortage as a serious problem, one she thinks can be helped by a volunteer force for less skilled tasks such as feeding.

Catastrophic health-care legislation that recently passed the House and Senate will have some indirect impact on the nursing-home industry. Medicare, which provides health insurance for elderly regardless of income, covers less than 2% of all long-term nursing-care bills. And Medicaid, which pays about 40% of all nursing-home care in America, in essence requires that elderly persons impoverish themselves before they become eligible. But Linda Keegan of American Health Care Association sees a side benefit.

"Catastrophic health-care legislation has made people more aware that most long-term care is not covered by Medicaid or insurance. Within the next five years, we will see proposals to encourage government and the private sector to work together. I think we will see the advent of private long-term-care insurance," says Keegan.

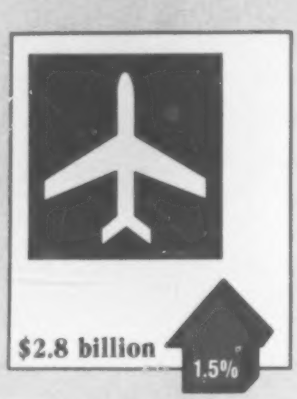
Keegan also projects that by the late 1990s we may see the nursing home as the focal point for all levels of nursing care. She sees homes also providing hospice and day care as well as traditional nursing care. —***Nancy Backas***

Nile Health Care Center, Minneapolis

WHAT'S NEW FOR 1988

- **Serious shortage of trained nursing personnel, aggravated by inadequate pay, continues to plague the nursing-home industry.**
- **Catastrophic health-care legislation indirectly affects nursing homes by building awareness of inadequacy of Medicaid and insurance coverage for long-term care.**
- **Nursing homes will expand nursing-care services in the future, providing hospice care and day care as well as conventional skilled acute nursing care.**
- **Developers are discovering that long-term-care facilities built in conjunction with retirement life-care communities are good investments since demographics point to a growing population of healthy, longer living, more financially stable elderly.**

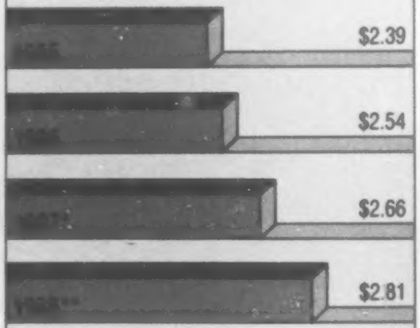
1988 ANNUAL FORECAST



PASSENGER COUNTS TO RISE IN 1988

R&I is predicting 1.5% real growth for the transportation segment, which means the airlines are expecting more passengers and allocating slightly more money to feed them. Major carriers now spend an average of $4.20 per person on food and drink.

(food and non-alcoholic beverage sales in billions)



1988 units: 350

1988 market share: 1.4%

1988 beverage alcohol sales: $485 million

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*preliminary **forecast

■ TRANSPORTATION

Lighter-than-air fare: Airlines continue to lighten up with fresh foods and cold meals.

The message from the transportation segment came in loud and clear this year: The airlines are lightening up. Every carrier and contractor *R&I* contacted mentioned continued movement away from heavier entrees towards lighter, leaner fare: more poultry, more fish, more salads. This trend is most visible at Piedmont, where, two years ago, beef accounted for 70% of all entrees, and poultry, 30%; today those figures are reversed. Demand for simpler foods that require less preparation—sandwiches, fresh fruits, raw vegetables, cheese—also is on the rise.

"People want things less fancy and more wholesome," says Werner K. Gerst of Sky Chefs. "The element of recognizable product came in loud and clear." As a result of this demand for fresh foods, more and more airlines are offering cold meals as an option.

According to Denise Poole of Piedmont: "People want lighter, and to get light you often have to go cold."

Other airlines, however, continue to promote their hot meal service:

■ In 1987, new United Airlines Vice President of Foodservice Pat O'Brien came on board and began to revise menus, emphasizing the seasonal rotation of dishes. He also instituted the Octoberfest meal option, which included smoked pork loin, a bratwurst-type sausage, red cabbage and potatoes, plus fresh apple strudel.

■ Midway Airlines serves some 300,000 cold meals (or "chilled light snacks") a month: muffins, cereal and fresh fruit at breakfast, croissant sandwiches later in the day. At breakfast, the airline added self-serve cereals in plastic bowls and yogurt in a continuing move away from sweet, pastry-type items to foods that are perceived as healthier. The big news from Midway is the addition of hot food in 1988.

■ Piedmont added first-class service on all flights in June 1987 and according to Manager of Food Services Denise Poole, adding first-class meals was a major undertaking. When developing new menus, Poole emphasized fresh fruits and vegetables while minimizing the use of processed foods.

—Julie Mautner

United Airlines is emphasizing its seasonal menus.

R&I DATA

FOOD COST INDEX: PRICES REMAIN STEADY AS A NEW YEAR BEGINS

The market-basket total, at $106.26, is up slightly from December's total of $105.93. This is due in part to an increase in the price of breaded fish portions and peas. The market-basket total a year ago was $105.56. The new year brings lower prices in lettuce, peaches, butter and coffee.

		% change	
	1/88	12/87	1/87
Hamburger (lb. 85% lean)	1.29	0	3
Chicken (lb. cut for frying)	.77	3	-21
N.Y. strip steak (lb./avg.)	3.58	5	12
Bread (Pullman loaf)	.72	-6	0
Lettuce (iceberg/head)	.50	-18	4
French fries (30 lb.)	11.24	0	2
Tomatoes (lb.)	.51	-7	-6
Milk (gal.)	1.82	0	3
Eggs (doz.)	.71	1	-9
Peaches (case/#10)	16.29	-14	-6
Peas (case/#10)	12.33	10	-9
Frozen beans (30 lb.)	15.32	3	26
Ice cream (vanilla/gal.)	3.39	1	0
Butter (lb.)	1.54	-14	-15
Cheddar cheese (lb.)	1.59	-1	-6
Sugar (100 lb.)	30.52	5	1
Coffee (lb.)	2.43	-1	-20
Breaded fish portions (lb.)	1.71	16	2

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FOOD PRICE UPDATE

Operators Reap the Benefits from Record Harvests

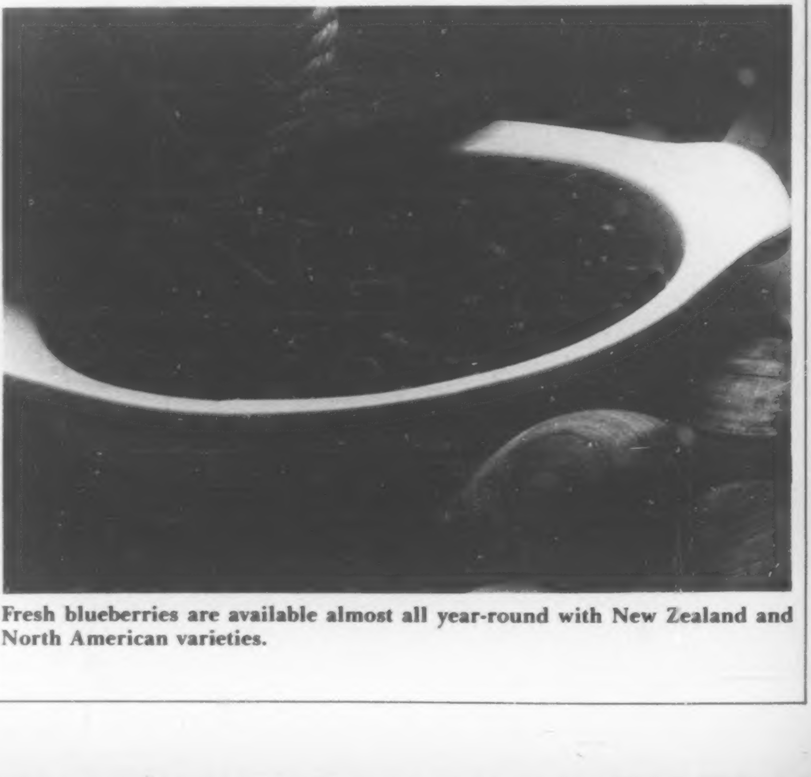
Blueberries, apples, cherries, salmon and snow crab all had good seasons.

New Zealand cultivated blueberries will be available in the United States through February. This supplements the crop of North American blueberries, available April through September. During the past three years, blueberry imports into the United States from New Zealand have doubled.

. . . Record harvests last summer netted 23 million pounds of Alaskan King crab, up 33% from 1986. Snow crab harvests continue on the rise as well, with the United States consuming 72% of Alaska's harvests. . . . One hundred twenty-seven million wild Alaska salmon were harvested in 1986. Of this catch, 76% were sold as fresh or frozen, with the remainder canned. This trend reflects customers' fresh/frozen preference, up from 39% in 1980, 50.6% in 1985 and 62.7% in 1985. . . . "We have a record crop," says a spokesperson from the Washington Apple Commission. "Apples everywhere." The latest harvest figure was 72.6 million boxes of apples. Prices are expected to decline; currently they are down about 25% from 1986.

The drought in the Northwest did not affect the apples because the fields were well-irrigated. The weather did have an early effect on the crop, however. A long spell of high temperatures prevented the apples from coloring early. They were left on the tree to redden when the weather turned cooler, an advantage for apple lovers: The longer the apples are left on the tree, the bigger and sweeter they become. . . . Worldwide, the United States has the largest potential for and actually produces the most sweet and tart cherries. In 1986, 229 millions pounds of tart cherries were produced; the figure rose to 260 million pounds in 1987.

—Kathleen Marshall



Fresh blueberries are available almost all year-round with New Zealand and North American varieties.

ACTION EXPRESS

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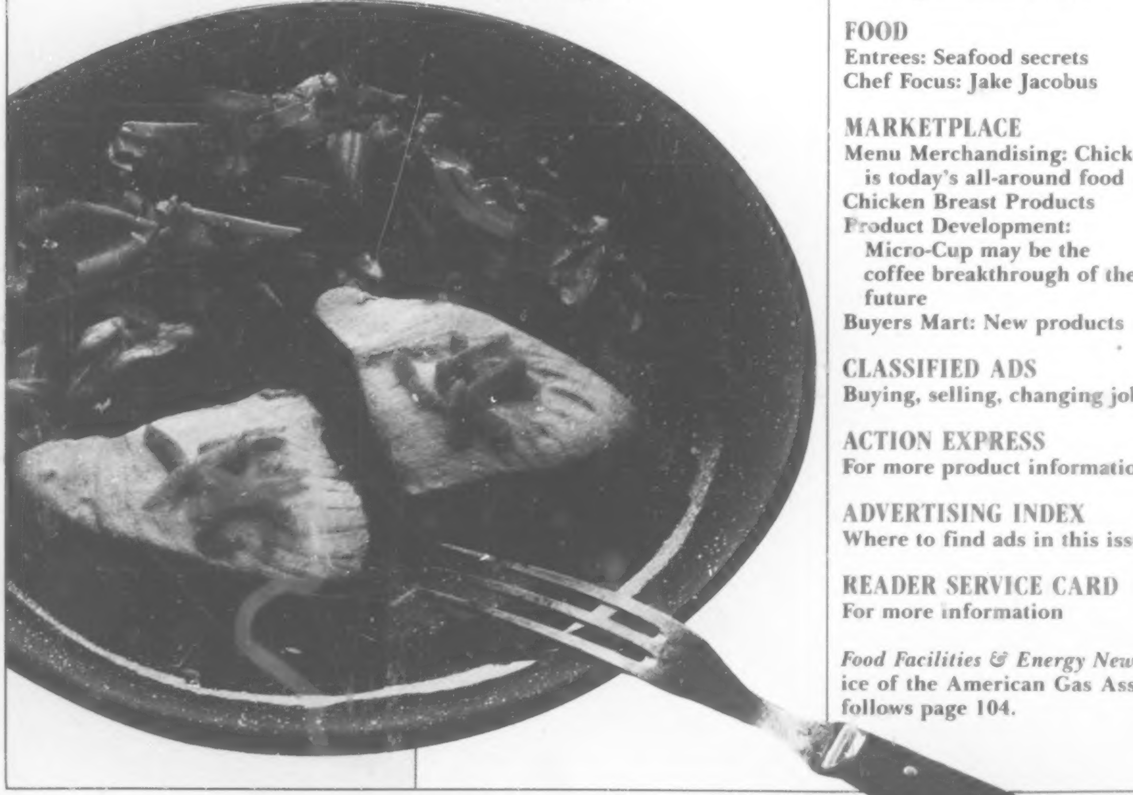

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RESTAURANTS & INSTITUTIONS

■ OPERATOR OUTLOOK

Trust, Tests and 'The Box'

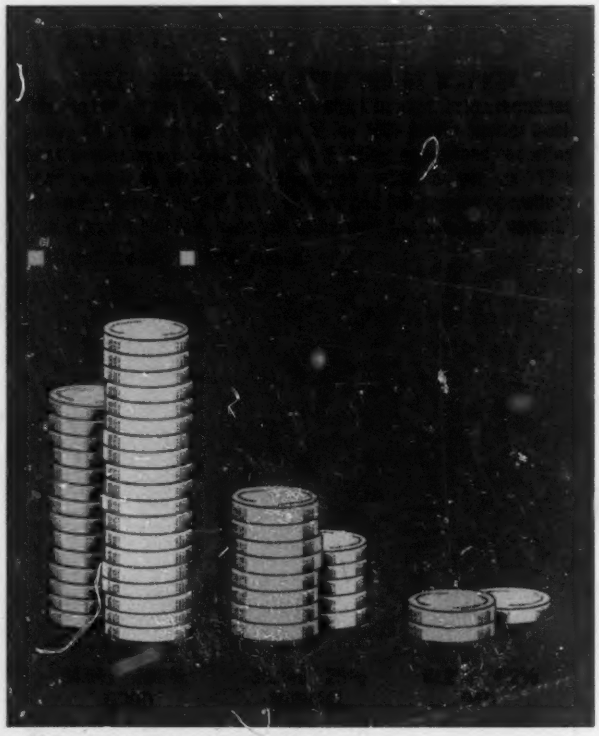
To tell the truth, operators are split on the use of polygraph tests.

Judging from recent congressional moves, an employer's right to give polygraph tests to job applicants is virtually doomed, and his power to use the machine to investigate thefts might also be in jeopardy.

A bill introduced in December by Sen. Edward Kennedy, D-Mass., would ban the use of polygraphs for pre-employment screening in private industry. A House measure passed in November is even broader: It would ban "specific incident" testing—for example, to investigate the workplace thefts that cost American industry $40 billion a year.

Few large foodservice companies still use the polygraph for pre-employment screening: Many, such as McDonald's, Burger King and Pizza Hut, say they never have. Most of those that did use polygraph testing gave it up for stringent reference or credit checks, or for some form of written "honesty attitude" test.

But many operators are siding with the National Restaurant Association to defend the investigative polygraph. "We think it's a useful tool for the industry," says Michael Click, spokesman for Southland Corp., which owns 7-Eleven. "If there are problems with how the tests are administered, Congress can address those concerns without prohibiting them."



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Whom do you trust?

"It's a wonderful catalyst for clearing the air in an investigation," says Paul Mitchell, vice president for corporate affairs with Carl Karcher Enterprises. The company brings in outside polygraph experts as needed for specific inquiries. Mitchell says the threat of a ban is "just another example of the government's ignorance of business."

The broader House bill would allow pre-employment screening for such jobs as airport security guards, nuclear plant workers and some drug company employees. Federal, state and local governments are also exempt from the ban.

"It's crazy," says John Hawes, human resources vice president at Gilbert/Robinson. He oversees employees at nearly 120 restaurants, including Houlihan's, the Fedora Cafe, and Darryl's. "The government is tying our hands on these investigations."

Carl Karcher's Mitchell puts it even more succinctly: "That's just playing the same game with two cues."

—Brian Quinton

Do you always tell the truth? Do you think policemen are basically honest? Would you put money in a vending machine that mistakenly gave you free gum? Such simple questions are being answered by the many job applicants and current employees who take written "honesty attitude" tests. The answers may seem easy to fake, but, in fact, by asking them many

times in many forms, the tests seem able to profile a respondent's honesty. Steven Schwitalla, senior vice president at Circle K Corp., says the tests "convey a more positive attitude to employees and, in many cases, yield more definitive information than a polygraph."

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NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

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R&I EXCLUSIVE

R&I CONSUMER SURVEY

AMERICA'S CHOICE IN CHAINS

By Brad Stratton and Lisa Bertagnoli

The "Choice in Chains" report, now in its eighth year, has been reorganized from past years in order to present the information more fairly and clearly. The results of the survey, revealed in the following 20 pages, contain a few surprises, too.

For the first time in the survey's history, we do not present an overall winner. Comparing Stuart Anderson's, a small, upscale chain that tops the dinner house category, with Baskin-Robbins, winner again in the sweets category, seems unfair. This year, the 76 chains listed are divided into eight segments: burger, cafeteria/coffee shop, chicken, dinner house, specialty fast food, pizza, steakhouse and sweets.

Business breakfasts are brisk at Bob Evans, No. 3 among coffee shops.

Within each segment, the chains are ranked by satisfaction index (see the following page for methodology). Ties were broken by the number of respondents visiting the chain in the past year. This system placed Burger King in the top burger spot, even though Wendy's and Burger King scored the same on the satisfaction index.

Each chain is identified by its logo, company headquarters, 1986 food and beverage sales, and number of units as of Jan. 1, 1987. And for each chain, we identify the region, income level, meal spending per week and life stage from which the highest percentage of the chain's patrons come.

The nine regions and nine life stages are explained in detail on the following pages. We break the country into nine regions instead of four, with the belief that specific areas are far more interesting and useful than general areas. Illustrations of the nine family situations into which chain patrons generally fit help describe what we mean by "middle parent," "young single," and so on.

A new "Choice in Chains" angle appears in this rendition of the story. A

RESTAURANTS & INSTITUTIONS

Parent and child (l.) enjoy a weekday breakfast at Bob Evans Farms. An older couple (below) takes in dessert at Bakers Square.

group of reporters ventured forth, stopped people coming out of various chains listed in the survey and quizzed them about their meals: What did you like about your meal? What did you dislike? Do you think the meal was a good value? Why did you choose this particular restaurant? The customers' comments are noted in each segment.

This year, we also pay more respect to up and comers, chains that had not been visited by at least 100 survey respondents during the past year. Skipper's, the Bellevue, Wash.-based fast-food seafood chain, was listed in this category last year, and returned this year to nudge Rax out of first place in the specialty fast-food segment. This year's up and comers include two industry stars: Luby's Cafeterias, San Antonio, Texas, and Chili's, Dallas.

The complete *Restaurants & Institutions* "Tastes of America" survey is available from Christine Campagna (312) 635-8800, at the following rates: Executive Summary on Eating-Out Habits, $200, with tabs, $500; Executive Summary on Choice in Chains, $200, with tabs, $500; Demographic Profile of 76 Individual Chains, $200 per chain; and Food Ordering Demographic Profiles of 70 Different Foods, $200 per food. Part I of "Tastes of America" ran in the Dec. 9, 1987, issue of *R&I.*

Service scored second only to good value at Sizzler, the No. 3 steakhouse.

R&I CHOICE IN CHAINS

HOW R&I RANKS THE CHAINS

The restaurant chains in *Restaurants & Institutions* "Choice in Chains" were ranked through a procedure developed by the magazine in conjunction with National Family Opinion Inc., a market research firm based in Toledo, Ohio. Surveys were sent to 2,000 households selected to reflect the demographic profile of the country.

For each of the restaurant chains listed, respondents were asked whether they had heard of the chain and had eaten at the chain within the past 12 months. If they had eaten at the chain, they were asked to specify whether they liked the chain a great deal, somewhat or not at all.

The 1,404 responses received were tabulated to determine each chain's satisfaction index (or popularity). Chains that had been patronized by fewer than 100 respondents were omitted from the main ranking and instead are included in the up and comers.

The number of patrons who said they liked the chain a great deal was doubled (giving that response a weight of +2) and added to the number of patrons who said they liked the chain somewhat (a weight of +1). The number who said they didn't like the chain was subtracted from the total (giving that response a weight of −1). The final figure was divided by the number of people who said they had eaten at the restaurant, yielding a satisfaction index between −1 and +2.

For an example of this process, examine Baskin-Robbins' numbers. Of the 601 people who had eaten at Baskin-Robbins and rated its performance, 371 said they liked it a great deal (371×2=742), 204 said they liked it somewhat (204×1=204) and 26 said they did not like it (26×−1=−26). Combine the three numbers (742+204−26=920) and divide by the total who had eaten at the restaurant and rated it (920÷601=1.53).

The most popular chains score in the range of 1.5, while scores of 1.3 or more are considered very good. Scoring below 1 is considered a poor showing. The average score for the 66 qualifying chains was 1.18.

BURGERS	Index	'88	'87
Burger King	1.22	1	2
Wendy's	1.22	2	1
Whataburger	1.18	3	—
McDonald's	1.08	4	4
Carl's Jr.	1.08	5	3
Sonic Drive-In	1.08	6	—
Hardee's	1.03	7	5
Krystal	0.94	8	7
White Castle	0.82	9	6

CHICKEN	Index	'88	'87
Chick-fil-A	1.25	1	4
Kentucky Fried Chicken	1.15	2	3
Popeyes Famous Fried Chicken	1.10	3	5
Grandy's	1.10	4	1
Church's Fried Chicken	0.95	5	6
Bojangles' Chicken & Biscuits	0.93	6	2

CAFETERIA/ COFFEE SHOP	Index	'88	'87
Shoney's	1.41	1	3
Bakers Square	1.40	2	—
Bob Evans	1.38	3	3
Morrison's Cafeterias	1.33	4	2
Swensen's	1.33	5	5
Piccadilly Cafeterias	1.31	6	—
Friendly	1.25	7	6
Furrs Cafeterias	1.25	8	1
Perkins	1.24	9	8
Big Boy	1.17	10	9
Po Folks	1.17	11	7
Country Kitchen	1.07	12	—
Denny's	1.04	13	—
International House of Pancakes	1.03	14	9
Howard Johnson	0.75	15	—

BURGER KING
DRIVE THRU

Ties were won by the chain with the higher patronage level. ©1988 *Restaurants & Institutions*, a Cahners publication.

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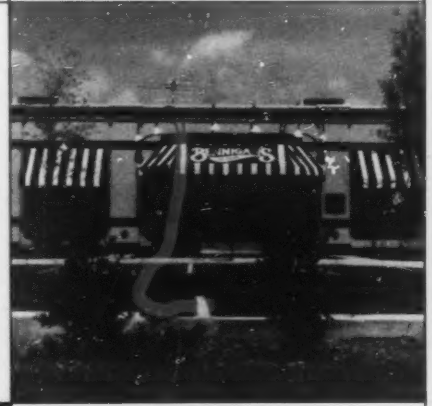
DINNER HOUSE	Index	'88	'87
Stuart Anderson	1.49	1	1
Steak & Ale	1.46	2	7
Red Lobster	1.45	3	4
TGI Friday's	1.45	4	3
Houlihan's	1.42	5	10
Bennigan's	1.36	6	6
Benihana of Tokyo	1.34	7	2
Fuddruckers	1.26	8	5
Chi-Chi's	1.20	9	8
Ground Round	1.18	10	—

PIZZA	Index	'88	'87
Pizza Hut	1.26	1	1
Godfather's	1.15	2	4
Little Caesars	1.14	3	2
Pizza Inn	1.10	4	3
Domino's	1.09	5	5
Shakey's	0.93	6	6

RGER KING
OF THE WHOPPER

SPECIALTY FAST FOOD	Index	'88	'87
Skipper's	1.40	1	—
Rax	1.32	2	1
Captain D's	1.28	3	2
Long John Silver's	1.21	4	3
A&W	1.21	5	5
Arby's	1.12	6	4
Taco Bell	1.11	7	6
Roy Rogers	0.92	8	7
Jack in the Box	0.72	9	8
7-Eleven	0.41	10	—



STEAKHOUSE	Index	'88	'87
Western Sizzlin'	1.46	1	2
Golden Corral	1.39	2	1
Sizzler	1.32	3	5
Bonanza	1.23	4	6
Mr. Steak	1.22	5	3
Ponderosa	1.20	6	4

SWEETS	Index	'88	'87
Baskin-Robbins	1.53	1	1
Dunkin' Donuts	1.22	2	—
Carvel	1.20	3	2
Dairy Queen	1.16	4	3

UP AND COMERS

If Maxwell Smart were in charge of the "Choice in Chains," he would look at Luby's President John Lahourcade, hold up three fingers and say, "Missed it by *that* much." Luby's came within three patrons of not only winning the cafeteria and coffee shop segment, but also of having the top score of all chains in the 1988 listing. But as it stands, Luby's leads only the up and comers section—the section that recognizes all chains with fewer than 100 patrons among the 1,404 who responded to this year's *Restaurants & Institutions* survey. Chili's has a bit farther to go, with only 77 customers among this year's respondents. However, it too would have led its category had enough people eaten at the dinner house.

	Index	'88
Luby's Cafeterias	1.59	1
Chili's	1.55	2
Rusty Pelican	1.45	3
El Torito	1.36	4
El Chico	1.29	5
Round Table Pizza	1.26	6
Brown's Chicken	1.24	7
Tony Roma's	1.19	8
Del Taco	1.11	9
Circle K	0.34	10

R&I CHOICE IN CHAINS

CHOICE IN CHAINS FOCUS

Each chain that had 100 or more patrons among the survey participants is profiled in the following pages. What follows is a detailed explanation of the headings contained within each of these profiles.

XYZ BURGERS

1986 F&B sales: for calendar 1986 or its fiscal year that ended between July 1, 1986, and June 30, 1987

Units (1/1/87): domestic and overseas, company-owned and franchised

Headquarters: in the United States

Where it does best . . .

Region: Of the nine U.S. regional divisions (see map elsewhere in this section), this is the division containing the highest percentage of XYZ Burgers customers during the past 12 months.

Household income: Among the six household income levels in the survey—under $12,500; 12,500-$19,999; $20,000-$29,999; $30,000-$44,999; $45,000-$59,999; and $60,000 and over—the highest percentage of XYZ customers during the past 12 months came from this group.

Life stage: Of the nine household demographic segments in this survey (see detailed explanation of each segment elsewhere in this section), this is the segment containing the highest percentage of XYZ customers during the past 12 months.

Meal spending: Among the four weekly household spending levels in the survey—less than $10, $10-$25, $26-$50 and more than $50—the highest percentage of XYZ customers during the past 12 months came from this group.

Best attribute: There are five attributes—quality of food, good value, service, atmosphere and cleanliness—in the survey. This is the one for which the highest percentage of XYZ customers said the chain is above average.

Highlights: Other noteworthy facts contained within the survey results.

CHART-TOPPING CHAINS WITH AWARD-WINNING ATTRIBUTES

While systemwide sales is one way to judge a chain's performance, another is to assess its attributes. In the 1988 "Choice in Chains" survey, *R&I* asked participants whether each chain was above average in the following five categories. Each score is the percentage of the chain's patrons who said it was above average for that attribute.

	FAST FOOD		FULL SERVICE	
FOOD QUALITY	Baskin-Robbins	52.8%	Stuart Anderson's	65.2%
	Rax	51.3	Benihana of Tokyo	64.1
	Chick-fil-A	49.6	Steak & Ale	60.8
	Skipper's	48.2	Golden Corral	58.7
	Captain D's	46.6	Red Lobster	58.6
SERVICE	Skipper's	58.0%	Stuart Anderson's	59.6%
	McDonald's	48.7	Western Sizzlin'	56.6
	Burger King	45.5	Chi-Chi's	55.6
	Wendy's	45.4	Golden Corral	54.7
	Sonic Drive-Ins	45.3	Shoney's	54.3
CLEANLINESS	Skipper's	55.4%	Stuart Anderson's	56.7%
	Rax	48.0	Bob Evans	54.2
	Wendy's	45.6	Western Sizzlin'	51.9
	Captain D's	43.2	Bakers Square	51.8
	McDonald's	42.8	Red Lobster	51.0
GOOD VALUE	Skipper's	62.5%	Western Sizzlin'	64.2%
	Little Caesars Pizza	53.5	Po Folks	62.8
	McDonald's	53.0	Golden Corral	59.2
	White Castle	52.2	Shoney's	58.3
	Burger King	52.1	Ponderosa	57.8
ATMOSPHERE	Skipper's	42.0%	Chi-Chi's	63.2%
	Rax	32.8	Benihana of Tokyo	63.0
	Captain D's	32.5	Stuart Anderson's	62.4
	Long John Silver's	32.5	Bennigan's	58.1
	Wendy's	30.0	TGI Friday's	54.9

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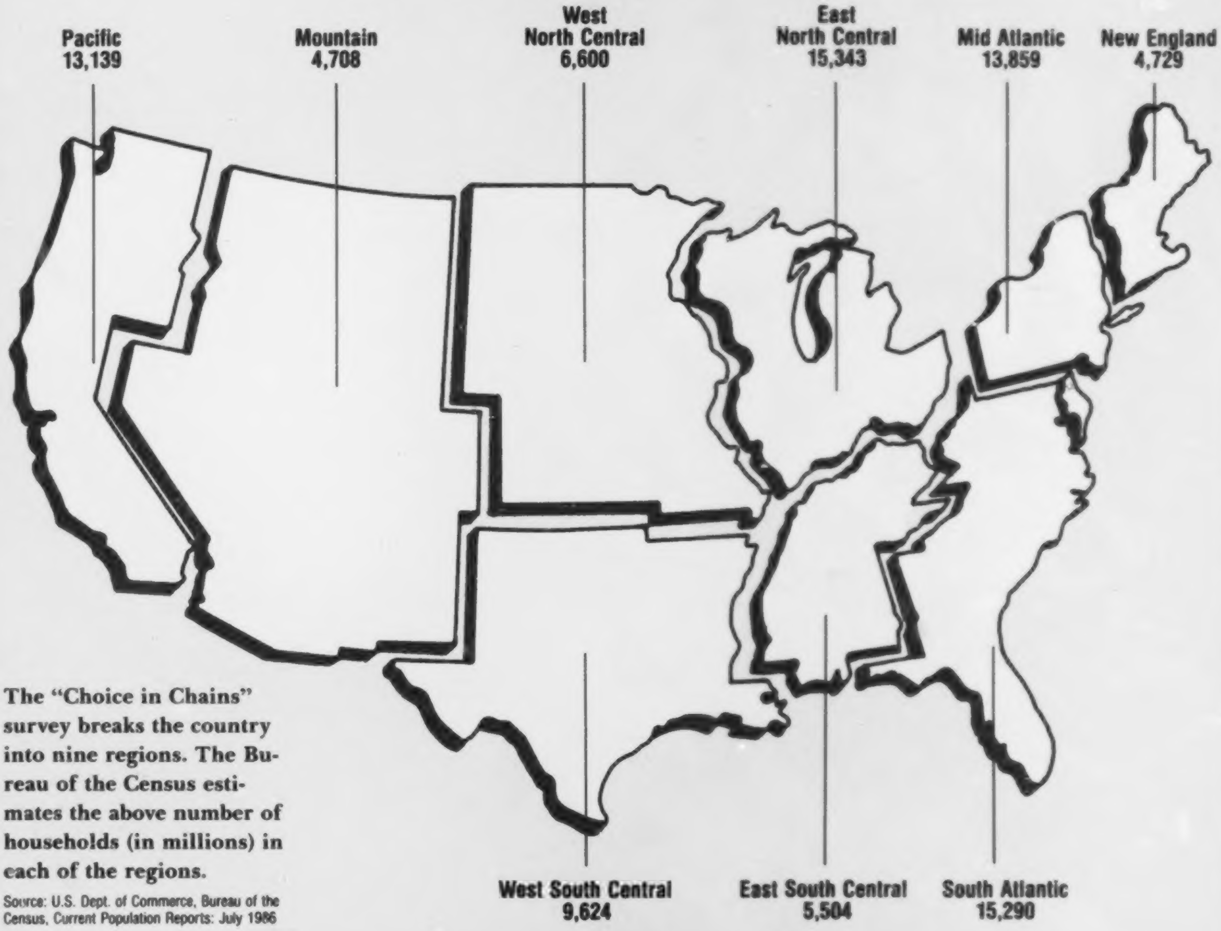
THE U.S. ACCORDING TO CHOICE IN CHAINS


Pacific
13,139
Mountain
4,708
West
North Central
6,600
East
North Central
15,343
Mid Atlantic
13,859
New England
4,729
West South Central
9,624
East South Central
5,504
South Atlantic
15,290

The "Choice in Chains" survey breaks the country into nine regions. The Bureau of the Census estimates the above number of households (in millions) in each of the regions.

Source: U.S. Dept. of Commerce, Bureau of the Census, Current Population Reports: July 1986

LIFE STAGES IN THE 'CHOICE IN CHAINS' SURVEY

One of the key factors within this survey is the stage in life of the leader of each surveyed household. These definitions explain who makes up each life-stage group.

Young single
One household member who is less than 35 years old.

Young couple
Age of the household head is less than 45. Couple can be married or unrelated. No children living in the house.

Young parent
Age of household head is under 45. The youngest child is under 6.

Middle single
One household member who is between the ages of 35 and 65.

Working older couple
Age of household head is 45 or over and is working. Couple can be married or unrelated. No children living in the house.

Middle parent
Age of household head is under 45. The youngest child is 6 or over.

Older single
One household member who is older than 65.

Retired older couple
Age of household head is 45 or over and retired. Couple can be married or unrelated. No children living in the house.

Older parent
Age of household head is 45 or older. At least one child is present.

R&I CHOICE IN CHAINS

BURGERS

It's Burger King by a pickle. In the race to the wire by the burger chains, BK unseats longtime winner Wendy's by virtue of the tie-breaking procedure (based on patronage). Among burger chains overall, the choice is unanimous: Patrons say their best attribute is value. Contributing to this conclusion is the fact that parents make up the biggest single percentage of burger chain customers.

BURGER KING

1986 F&B sales: $5,000MM**
Units (1/1/87): 5,024
Headquarters: Miami
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Parents of all ages make up nearly half of the households patronizing Burger King. Nearly one-third of all BK customers live in the three Southern regions. Only about 6% of its customers earn $60,000 or more annually.

WENDY'S

1986 F&B sales: $2,747MM
Units (1/1/87): 2,664
Headquarters: Dublin, Ohio
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Former burger segment winner Wendy's was just edged out of first this year. In addition to value, the chain scores extremely well for cleanliness, service and food quality. Those under 30 give the chain its best score.

WHATABURGER

1986 F&B sales: $225MM
Units (1/1/87): 365
Headquarters: Corpus Christi, Texas
Where it does best . . .
Region: West South Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: This chain has strong roots in its home territory, where 60% of its patrons live. The age of the household head whose family most frequently patronizes Whataburger is 50 to 64. Parents account for 45.3% of the crowd.

McDONALD'S

1986 F&B sales: $12,400MM
Units (1/1/87): 9,410
Headquarters: Oak Brook, Ill.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Mac also gets great scores for service and cleanliness. A higher than average number of patrons come from households where the head is 65 or older. A high number live in markets with fewer than 50,000 households.

CARL'S JR.

1986 F&B sales: $343.6MM
Units (1/1/87): 433
Headquarters: Anaheim, Calif.
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $26-$50 a week
Best attribute: Good value

Highlights: Households with income levels of $60,000 or more and households spending more than $50 a week on dining out make up a higher than average percentage of Carl's customers. More than 82% of patrons live out west.

Crown Burger King the new champ.

---

*R&I estimate **Company estimate MM=millions

SONIC DRIVE-IN

1986 F&B sales: $291MM
Units (1/1/87): 958
Headquarters: Oklahoma City
Where it does best . . .
Region: West South Central
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Sonic service also scores well among patrons. More than three-quarters of the chain's patrons live in the South. Markets of fewer than 50,000 is where more than 45% of Sonic's customers live, an unusually high percentage.

HARDEE'S

1986 F&B sales: $2,255MM*
Units (1/1/87): 2,807
Headquarters: Rocky Mount, N.C.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Hardee's home region of the South Atlantic runs a close second for its largest market. Less than 6% of its customers live in the West. Households where the head is 65 or older like Hardee's better than other age groups.

KRYSTAL

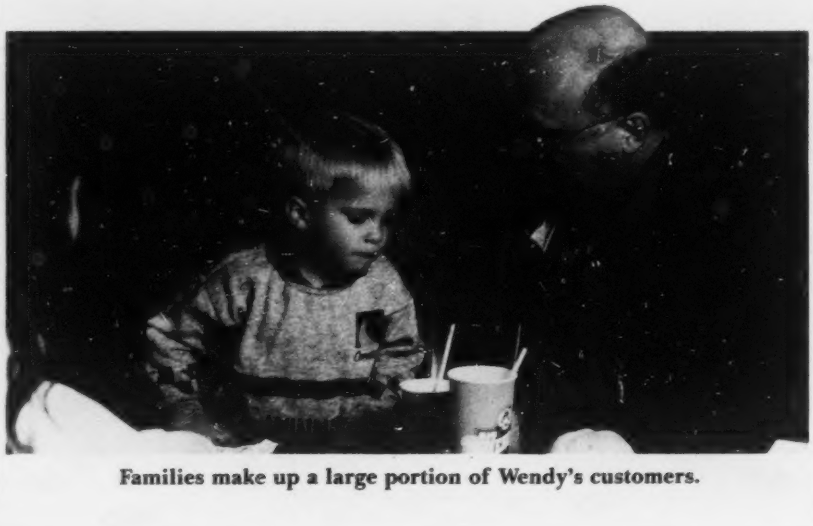
1986 F&B sales: $174MM
Units (1/1/87): 237
Headquarters: Chattanooga, Tenn.
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Almost 86% of Krystal's clientele live in the South. An unusually high number of its patrons are singles 35 or older. Krystal's top meal-spending group also gives the chain its highest satisfaction index. It thrives in small markets.

WHITE CASTLE

1986 F&B sales: $268.5MM
Units (1/1/87): 222
Headquarters: Columbus, Ohio
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: White Castle is at home in the two North Central regions, which constitute nearly half of its customer base. It is also a big city chain, with nearly 45% of its patrons in markets with 2 million or more households.



Families make up a large portion of Wendy's customers.

WHAT PATRONS SAY ABOUT BURGER CHAINS

WENDY'S: "I love the hamburgers and french fries. They don't cost too much and the service is very fast" . . . "It's hard to believe service is this fast even though there's only one cash register" . . . "These are great sloppy burgers."

McDONALD'S: "It's not what I like about McDonald's, it's what the kids like" . . . "This is the only place that has a playground, and the kids really do prefer McDonald's" . . . "It's clean, the breakfast is exactly what I want, the salads keep me thin and the people are nice" . . . "It's definitely the best value in town."

KRYSTAL: "The bite-sized burgers are fun to eat" . . . "The food is good, but if you ate here too often the grease would kill you" . . . "You can get in and out quick" . . . "I need a 'Krystal fix' at least once a month."

R&I CHOICE IN CHAINS

CAFETERIA/ COFFEE SHOP

Two dominant groups are big customers of coffee shops and cafeterias. These are older parents and people who spend between $10 and $25 to eat out each week. The income categories that include the best patrons of such restaurants are those households earning between $30,000 and $44,999 and those earning less than $12,500 annually. Value and quality most often are selected as the top attributes of cafeterias and coffee shops.

SHONEY'S

1986 F&B sales: $644.5MM
Units (1/1/87): 542
Headquarters: Nashville, Tenn.
Where it does best . . .
Region: South Atlantic
Household income: Less than $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Patrons *really* love Shoney's. Saying its best attribute is good value is a bit misleading because the chain also gets extremely high marks for service, quality of food and cleanliness. The South is home for two-thirds of its patrons.

BAKERS SQUARE

1986 F&B sales: $130.4MM
Units (1/1/87): 116
Headquarters: Denver
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Middle parent
Meal spending: More than $50 a week
Best attribute: Quality of food

Highlights: These neat bakers also score for cleanliness. Nearly three-fourths of the chain's patrons come from households whose leader is under 50 years old. Half of its customers come from major metropolitan markets.

BOB EVANS FARMS

1986 F&B sales: $220MM
Units (1/1/87): 175
Headquarters: Columbus, Ohio
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: Customers also laud Bob Evans for its cleanliness and service. Households of three people score Bob Evans' attributes better than any other household sizes. More than 62% of its patrons earn less than $30,000.

MORRISON'S

1986 F&B sales: $291MM
Units (1/1/87): 153
Headquarters: Mobile, Ala.
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: The chain has its highest percentage of customers in markets of less than 500,000 households. More than half the senior citizens who have eaten at Morrison's like it a great deal. Many older singles eat here.

SWENSEN'S

1986 F&B sales: $80MM**
Units (1/1/87): 350
Headquarters: Phoenix, Ariz.
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: Swensen's has a well-educated customer base; it has a higher percentage of college graduates as customers than all other chains in this segment. More than 70% of its patrons live in the South or West.

PICCADILLY

1986 F&B sales: $225MM
Units (1/1/87): 111
Headquarters: Baton Rouge, La.
Where it does best . . .
Region: West South Central
Household income: $20,000-$29,999
Life stage: Older parent
Meal spending: $26-$50 a week
Best attribute: Quality of food

Highlights: Piccadilly households also include a high number that earn from $30,000 to $44,999 annually and that spend $10 to $25 a week on eating out. More than half its patrons also believe meals at Piccadilly are a good value.

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*R&I estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

continued from page 48

FRIENDLY

1986 F&B sales: $536.5MM
Units (1/1/87): 829
Headquarters: Wilbraham, Mass.
Where it does best . . .
Region: Middle Atlantic
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: Friendly also scores consistently high for value, service and cleanliness. Big families of five or more give the chain its best marks for food quality. More than 57% of the chain's patrons live in the Northeast.

FURRS

1986 F&B sales: $263MM*
Units (1/1/87): 133*
Headquarters: Lubbock, Texas
Where it does best . . .
Region: West South Central
Household income: Under $12.500
Life stage: Retired older couple
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Many patrons also earn from $20,000 to $29,999 annually. A good number are older parents or come from households where the leader is 65 or older. Cleanliness and quality of food rank second and third in attributes.

PERKINS

1986 F&B sales: $279.5MM*
Units (1/1/87): 321*
Headquarters: Memphis, Tenn.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Cleanliness

Highlights: Perkins also is noted for its food quality, especially in households with one or two members. Almost half its patrons live in the North Central region, but a higher than normal percentage reside in smaller markets.

BIG BOY

1986 F&B sales: $1,002.1MM*
Units (1/1/87): 911
Headquarters: Washington, D.C.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Customers' high value perception suggests they are taking note of the chain's food bar. A high percentage of families with four or more members have eaten at Big Boy. Many patrons also earn less than $12,500 annually.

PO FOLKS

1986 F&B sales: $195.7MM
Units (1/1/87): 176
Headquarters: Nashville, Tenn.
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25
Best attribute: Good value

Highlights: Po Folks gets consistently high scores in all five attribute categories. More than two-thirds of the households patronizing Po Folks are in the South. A good number of patrons earn $30,000 to 44,999 annually.

Food quality and service with a smile get high marks at Bakers Square.

R&I CHOICE IN CHAINS

CAFETERIA/ COFFEE SHOP

WHAT PATRONS SAY ABOUT CAFETERIAS AND COFFEE SHOPS

BOB EVANS FARMS: "I always come here" . . . "They have friendly waitresses, good food and good service" . . . "I'm from out of state and I was across the street getting my car fixed. I saw Bob Evans and I knew I could get home-cooked food. Their restaurants are all the same" . . . "They have good coffee."

HOWARD JOHNSON: "The meal was nothing special, but the service was very good" . . . "Howard Johnson has the greatest sundaes in the world, and they're cheap."

BAKERS SQUARE: "Everybody talks about their pie, but the sandwiches are great, too" . . . "This is a friendly place. I can come here every day, and they treat me nice every day" . . . "I don't have to stand in line like at the fast-food places, and I still get my lunch within about five or 10 minutes."

COUNTRY KITCHEN

1986 F&B sales: $161.4MM
Units (1/1/87): 251
Headquarters: Minneapolis
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Service

Highlights: Working older couples also make up a high percentage of Country Kitchen customers. The chain is perceived as having noteworthy value. More than 42% of its patrons come from markets with fewer than 50,000 households.

DENNY'S

1986 F&B sales: $1,134.2MM
Units (1/1/87): 1,176
Headquarters: La Mirada, Calif.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25
Best attribute: Good value

Highlights: Denny's customers are evenly distributed across the country, with the Northeast being the area it has slightly less penetration. A good percentage of households that visit Denny's earn less than $12,500.

INTERNATIONAL HOUSE OF PANCAKES

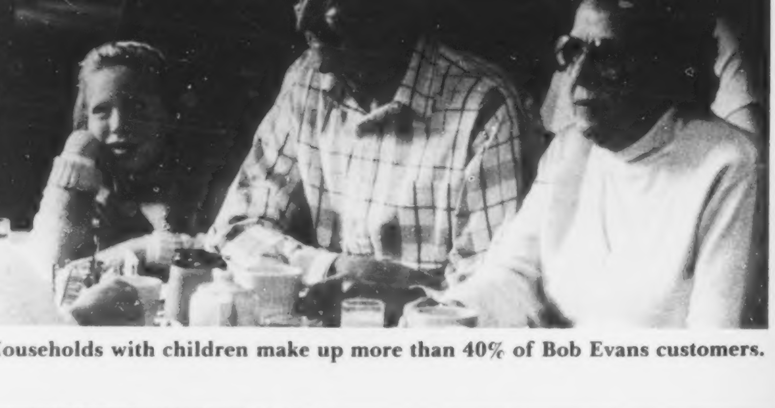
1986 F&B sales: $246.1MM
Units (1/1/87): 450
Headquarters: North Hollywood, Calif.
Where it does best . . .
Region: South Atlantic
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: The chain can claim more than 40% of its patrons from markets with 2 million or more households. Retired older couples make up a higher than normal percentage of customers at International House of Pancakes.

HOWARD JOHNSON

1986 F&B sales: $120MM**
Units (1/1/87): 150
Headquarters: South Weymouth, Mass.
Where it does best . . .
Region: Middle Atlantic
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Cleanliness

Highlights: People who spend more than $25 a week on dining out also frequent Howard Johnson at a rate that is higher than average. Nearly a third of its patrons live in the South, and they give the chain scores higher than its average.



Households with children make up more than 40% of Bob Evans customers.

**R&I estimate **Company estimate MM=millions*

R&I CHOICE IN CHAINS

CHICKEN

This year's survey respondents ruffled last year's pecking order among the chicken chains. Chick-fil-A jumped to No. 1 from No. 4, leaving last year's top chain, Grandy's, in fourth place. All six of the chains listed count parents among their most loyal customers. But it's hard to say exactly to whom fast-food chicken appeals. Are kids drawn in by the bite-sized chicken pieces and small sandwiches? Or are parents attracted to the hamburger alternative? Maybe good value is the answer. Food quality and good value were voted the top attributes at each of the six chains.

CHICK-FIL-A

1986 F&B sales: $181.4MM
Units (1/1/87): 345
Headquarters: Atlanta
Where it does best . . .
Region: South Atlantic
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: Good value, service and food quality helped Chick-fil-A, ranked No. 4 last year, to jump to the top spot among chicken chains. Older parents are loyal Chick-fil-A customers, as are households earning under $12,500.

KENTUCKY FRIED CHICKEN

1986 F&B sales: $3,500MM
Units (1/1/87): 6,575
Headquarters: Louisville, Ky.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Food quality and service earned high marks for the chain, and pushed it from No. 3 to No. 2. KFC's customers reward good work with loyalty: They're more likely to visit a burger chain than a competing chicken chain.

POPEYES FAMOUS FRIED CHICKEN

1986 F&B sales: $400MM
Units (1/1/87): 650
Headquarters: New Orleans
Where it does best . . .
Region: West South Central
Household income: $30,000-$44,999
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Nearly two-thirds of the households patronizing Popeyes are in the South, and a high percentage of those are in markets of two million households or more. Customers also praised quality of food and service.

GRANDY'S

1986 F&B sales: $230MM
Units (1/1/87): 200
Headquarters: Washington, D.C.
Where it does best . . .
Region: West South Central
Household income: Under $12,500
Life stage: Working older couple
Meal spending: $26-$50 a week
Best attribute: Quality of food

Highlights: Middle and older parents tie with working older couples as loyal Grandy's customers. Patrons gave good marks for cleanliness, service and good value. More than one-third of Grandy's patrons graduated from college.

No. 1 Chick-fil-A appeals to married couples with children under 19.

**R&I* estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

CHICKEN

WHAT PATRONS SAY ABOUT CHICKEN CHAINS

CHICK-FIL-A: "The waffle fries are always warm and crispy. Sometimes you get nine or 10 nuggets in an eight-nugget meal. The chicken is consistent and not greasy" . . . "The Value Pak meal is a great deal" . . . "The chicken is consistently good quality. It's the best-tasting, most nutritious fast food available."

KENTUCKY FRIED CHICKEN: "It's good food. There's something about the chicken that can make you a chick-aholic, like booze. And the biscuits are something else. They are special" . . . "It tastes like the chicken I cook at home" . . . It's good chicken, not too spicy like Bojangles'."

BOJANGLES': "I love the food, especially the hot sauce. The corn is good too" . . . "I have no complaints about the service, except they don't have a bathroom" . . . The service was quick, but then again, there weren't many people."

CHURCH'S FRIED CHICKEN

1986 F&B sales: $577.7MM
Units (1/1/87): 1,532
Headquarters: San Antonio, Texas
Where it does best . . .
Region: West South Central
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Customers say good value is by far Church's best attribute. The chain attracts the very heavy meal spenders (over $50 a week) and households with $30,000 to $44,999 annual income, as well as thriftier types.

BOJANGLES'

1986 F&B sales: $265.5MM
Units (1/1/87): 325
Headquarters: New York
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: The income disparity strikes again: Households earning $30,000 to $44,999 a year favor Bojangles' as much as those earning under $12,500. Nearly two-thirds of the chain's patrons live in the South Atlantic region.

Kentucky Fried Chicken

Kentucky Fried Chicken patrons praised good value and food quality.

**R&I* estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

DINNER HOUSE

Among the dinner houses profiled, biggest is not always best. With 120 units, Stuart Anderson's, No. 1 for the fifth time, ranks only sixth in number of units and sales volume among the 10 chains listed. What it lacks in size, it makes up in food quality and atmosphere—the top attributes at all 10 chains. In fact, the ticket is split: Atmosphere is called best attribute at five chains, and food quality takes top honors at the remaining five. And this just proves that fun-filled fern bars are not dead. People just want to eat their nachos and have them, too.

STUART ANDERSON'S CATTLE CO.

1986 F&B sales: $265MM*
Units (1/1/87): 120*
Headquarters: Menlo Park, Calif.
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: Stuart Anderson's takes top spot for the second year in a row and for the fifth time in the past six years. One-quarter of the chain's patrons are married with children under 19. Atmosphere and service scored well.

STEAK & ALE

1986 F&B sales: $279.4MM*
Units (1/1/87): 188
Headquarters: Dallas
Where it does best . . .
Region: South Atlantic
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: Steak & Ale jumps to second place from seventh in the dinner house segment, and its new back-to-basics menu strategy has only just begun. Good value and food quality tied for best attribute.

RED LOBSTER

1986 F&B sales: $897.6MM*
Units (1/1/87): 430
Headquarters: Orlando, Fla.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: The income dichotomy: Households with annual income of less than $12,500 a year account for more than 20% of the chain's customers. Good value and cleanliness fared well in the attributes category.

TGI FRIDAY'S

1986 F&B sales: $348.5MM
Units (1/1/87): 125
Headquarters: Dallas
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: Over $50 a week
Best attribute: Atmosphere

Highlights: Quality of food, too, keeps Friday's customers happy. Almost 40% of the household heads patronizing the chain hold college degrees. Half of the customers live in markets of 2 million households or more.

HOULIHAN'S

1986 F&B sales: $170MM
Units (1/1/87): 64
Headquarters: St. Louis
Where it does best . . .
Region: Middle Atlantic
Household income: $60,000 plus
Life stage: Middle single
Meal spending: Over $50 a week
Best attribute: Atmosphere

Highlights: Proof that the "meet market" lives: High-income, college-educated singles flock to Houlihan's first for the atmosphere, then for food quality. Dinks make up 20% of the chain's customers.

Stuart Anderson's ranks No. 1 again.

*R&I estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

DINNER HOUSE

WHAT PATRONS SAY ABOUT DINNER HOUSE CHAINS

STUART ANDERSON'S: "The service was very good. I was impressed because the waitress noticed that the cook left olives in my chicken salad and apologized for it" . . . "The value is good. The vegetables and salad were fresh."

TGI FRIDAY'S: "It's fun to see how the waiters and waitresses dress up their uniforms with funny buttons and things" . . . "The portions are huge—you never leave hungry" . . . "Everyone can find something they like here. It's a fun atmosphere."

BENNIGAN'S: "They have a killer nachos plate that I think is an appetizer but can easily be an entree. They also brought us a huge dish of extra jalapeño sauce" . . . "I'm a little old for this place. It's too noisy and confusing. But the food's good and interesting, and the prices certainly are fair."

BENNIGAN'S

1986 F&B sales: $446.2MM*
Units (1/1/87): 204
Headquarters: Dallas
Where it does best . . .
Region: South Atlantic
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: Over $50 a week
Best attribute: Atmosphere

Highlights: Married couples with children under 19 make up nearly 30% of Bennigan's customers. Older parents, too, frequent the chain. Food quality scored nearly as high as atmosphere on the attributes scale.

BENIHANA OF TOKYO

1986 F&B sales: $75MM
Units (1/1/87): 46
Headquarters: Miami
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: Nearly 60% of Benihana's customers live in markets of 2 million households or more. The chain attracts married couples with or without children under 19. About 30% of Benihana's customers live in the Pacific region.

Atmosphere scores best at Friday's.

FUDDRUCKERS

1986 F&B sales: $118.4MM
Units (1/1/87): 105
Headquarters: San Antonio, Texas
Where it does best . . .
Region: West South Central
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: Food quality is by far Fuddruckers' best attribute, patrons say. The chain is also popular with those in the $45,000 to $59,999 income range. Nearly 45% of household heads who visit the chain graduated from college.

CHI-CHI'S

1986 F&B sales: $315MM
Units (1/1/87): 199
Headquarters: Louisville, Ky.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: Over $50 a week
Best attribute: Atmosphere

Highlights: Chi-Chi's attention to detail pays off in its high score on atmosphere. The chain recently revamped its menu: Patrons responded by giving good marks to food quality. A majority of patrons live in the East North Central.

GROUND ROUND

1986 F&B sales: $225MM**
Units (1/1/87): 194
Headquarters: North Quincy, Mass.
Where it does best . . .
Region: Middle Atlantic
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: Over $50 a week
Best attribute: Atmosphere

Highlights: No more peanuts to crunch while walking to the table, but patrons still praise Ground Round for its atmosphere. The larger-than-fast-food hamburgers appeal to married couples with children under 19.

**R&I* estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

SPECIALTY FAST FOOD

Specialty fast food is, in a phrase, a change of pace. People eat at Rax, Taco Bell and Arby's because they want fast food, but they don't want hamburgers. Cutting down on red meat may be the motivation, and might explain why Skipper's, which serves fast-food fish, knocked Rax out of first place in the segment. Other than a change of pace, specialty fast-food customers look for good value—and find it. Good value is the best attribute at nine of the 10 chains listed. And the same number claim most of their patrons from the group that spends between $10 and $25 a week eating out.

SKIPPER'S

1986 F&B sales: $94MM
Units (1/1/87): 206
Headquarters: Bellevue, Wash.
Where it does best . . .
Region: Pacific
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

skipper's, inc.

Highlights: Skipper's, new to the survey, topples Rax from the spot it held for five years. More than half of Skipper's patrons live in the Pacific region. Almost one-third live in markets with fewer than 50,000 households.

RAX

1986 F&B sales: $328.9MM
Units (1/1/87): 512
Headquarters: Columbus, Ohio
Where it does best . . .
Region: East North Central
Household income: $20,000-$29,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Rax® RESTAURANTS, INC.

Highlights: Despite the small upset, there's no reason for Rax to cry: Patrons continue to give good marks for food quality and cleanliness. More than one-third of the chain's customers live in the East North Central region.

Food quality brings people to Rax.

CAPTAIN D'S

1986 F&B sales: $315.9MM
Units (1/1/87): 537
Headquarters: Nashville, Tenn.
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Captain D's
A great little seafood place.

Highlights: Captain D's calls itself a "great little seafood place," and patrons agree: Quality of food ranked second to good value. The chain draws the most customers in markets with fewer than 50,000 households.

LONG JOHN SILVER'S

1986 F&B sales: $720.4MM
Units (1/1/87): 1,405
Headquarters: Lexington, Ky.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

LONG JOHN SILVER'S
SEAFOOD SHOPPES

Highlights: Nearly one-third of the households that patronize Long John Silver's earn $12,500 or less a year, making the good value rating very important. Food quality and service also scored high. Most patrons are married with children.

A&W

1986 F&B sales: $150MM
Units (1/1/87): 550
Headquarters: Dearborn, Mich.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

A&W

Highlights: Households earning between $30,000 and $44,999 are a big part of A&W's customer base. Married couples with children under 19 account for one-third of A&W's customers. The chain does best in small markets.

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*R&I estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

SPECIALTY FAST FOOD

WHAT PATRONS SAY ABOUT SPECIALTY FAST FOOD

RAX: "The atmosphere is nice, but what I like about Rax is the creativity that goes into the menu and the presentations" . . . "If I'm out shopping with friends and want to take a nice, short break, we go to Rax. It's fast food without the fast-food atmosphere.

ARBY'S: "Everything was pretty much OK, in terms of taste. The condiments aren't too hot" . . . "Arby's is different than McDonald's and faster than a sit-down place. It's sort of an impulse to come here" . . . "The service is kind of slow, even though the place is never crowded."

TACO BELL: "I like the fajitas. The food is really good considering it's fast food" . . . "It's a bit more expensive than the burger places, but I like it" . . . "I get tired of hamburgers. I'm the manager of the McDonald's up the road."

ARBY'S

1986 F&B sales: $892.8MM
Units (1/1/87): 1,760
Headquarters: Atlanta
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Arby's patrons also gave good marks for cleanliness. Nearly one-quarter of the chain's patrons live in the East North Central region, so it's no surprise that Arby's does best in markets with more than 2 million households.

TACO BELL

1986 F&B sales: $1,320MM*
Units (1/1/87): 2,443
Headquarters: Irvine, Calif.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Not for kids only: About one-fifth of Taco Bell's customers are between 50 and 64 years old. The income dichotomy crops up again: Households with incomes between $30,000 and $44,999 also frequent the chain.

Patrons call Taco Bell a good value.

ROY ROGERS

1986 F&B sales: $450.1MM*
Units (1/1/87): 552
Headquarters: Washington, D.C.
Where it does best . . .
Region: Middle Atlantic
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $26-$50 a week
Best attribute: Good value

Highlights: Service also scores well at Roy Rogers. One-quarter of the households that patronize the chain are headed by a person between 50 and 64 years old. More than 40% of patrons live in the Middle Atlantic region.

JACK IN THE BOX

1986 F&B sales: $639.5MM*
Units (1/1/87): 850
Headquarters: San Diego
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Jack in the Box's ever-changing menu most likely contributes to its high good-value rating. Almost 40% of its customers live in the Pacific region, and nearly 50% of patrons live in markets of more than 2 million households.

7-ELEVEN

1986 F&B sales: $875.9MM*
Units (1/1/87): 7,835
Headquarters: Dallas
Where it does best . . .
Region: South Atlantic
Household income: $30,000-$44,999
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: 7-Eleven attracts as many college graduates as it does people with only a high school diploma, and households making under $12,500 a year supply almost as many customers as those making more money.

**R&I* estimate **Company estimate MM = millions

R&I CHOICE IN CHAINS

PIZZA

No doubt about it. Pizza is now among the ranks of Great American Foods. Pizza-loving families earn under $12,500 or up to $44,999, and are headed by young, middle and older parents. Once again, Americans have chosen Pizza Hut as their favorite pizza place. And Godfather's, thanks to its quality-driven president, has jumped from fourth place to second place. Patrons of both chains say they go there because the food is good. Good value is another reason people eat pizza, and Little Caesars, king of the two-for-one deals, scores highest there. Domino's, prince of delivery, takes top honors for service.

PIZZA HUT

1986 F&B sales: $2,503.4MM*
Units (1/1/87): 5,646
Headquarters: Wichita, Kan.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: Pizza Hut brings home top honors in the pizza segment for the third year running. Good marks for cleanliness and service contributed. One-third of the chain's patrons are married couples with children.

GODFATHER'S PIZZA

1986 F&B sales: $260MM
Units (1/1/87): 615
Headquarters: Omaha, Neb.
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: Households earning from $20,000 to $29,999 and from $30,000 to $44,999 patronize Godfather's almost as much as those earning less than $12,000. Many Godfather's patrons live in the Pacific region.

LITTLE CAESARS PIZZA

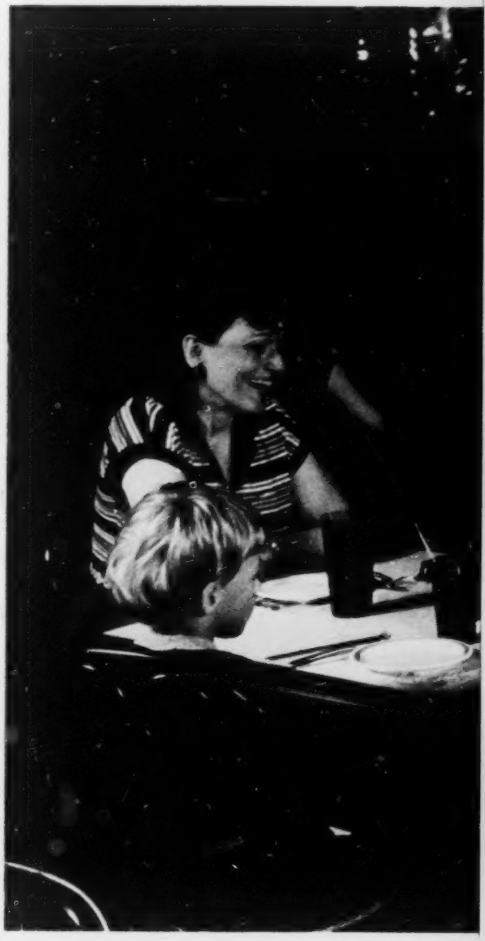
1986 F&B sales: $520MM
Units (1/1/87): 1,308
Headquarters: Farmington Hills, Mich.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Middle parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights. Two-for-one does the trick: More than half of the people who have eaten Little Caesars pizza call it a good value. Almost one-third of the patrons live in markets with 2 million or more households.

PIZZA INN

1986 F&B sales: $265.2MM
Units (1/1/87): 707
Headquarters: Dallas
Where it does best . . .
Region: West South Central
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $26-$50 a week
Best attribute: Good value

Highlights: The percentage of Pizza Inn patrons with weekly meal spending between $10 and $25 was the same as those spending $26 to $50. One-third of Pizza Inn's customers are married with children under 19.



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*R&I estimate **Company estimate MM=millions

DOMINO'S PIZZA

1986 F&B sales: $1,500MM
Units (1/1/87): 3,606
Headquarters: Ann Arbor, Mich.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Service

Highlights: Service should be No. 1 for the king of 30-minute delivery; customers rated food quality high, too. Domino's has cracked the mom-and-pop hold on large markets. More than one-third of its customers live in large markets.

SHAKEY'S

1986 F&B sales: $196.9MM
Units (1/1/87): 395
Headquarters: Irving, Texas
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Shakey's attracts almost as many middle and young parents as it does older parents. Households with incomes under $12,500 are also frequent Shakey's patrons, as are people with a high school education or less.

Pizza Hut's food quality prompted patrons to vote the chain No. 1—again.

WHAT PATRONS SAY ABOUT PIZZA CHAINS

PIZZA HUT: "The salad bar is good" . . . It's consistent every time. The chain has a good reputation. You know what you're getting here" . . . "Nothing is cheap these days. The price is good for what you get."

PIZZA INN: "The pizza's really good. The buffet style is great. I like the dessert pizza. Their spaghetti is a cut above everyone else's" . . . "We eat here all the time. We eat the luncheon buffet because it's as quick as you want to make it."

DOMINO'S: "The only thing I like about Domino's is the fast service. The pizza is baby-food bland —you can't love it and you can't hate it" . . . "I'd like them even better if they'd go into video rental. I'd get everything I need for an evening (except a date) in one delivery."

R&I CHOICE IN CHAINS

STEAKHOUSE

Western Sizzlin' switched places with Golden Corral, last year's winner, on the strength of patrons' overwhelmingly positive reaction to all aspects of its operations. Customers perceive steakhouse chains as offering good value for their dollars. When children start to grow up, the survey shows many families move away from other chains and into steakhouses.

WESTERN SIZZLIN'

1986 F&B sales: $454MM
Units (1/1/87): 642
Headquarters: Atlanta
Where it does best . . .
Region: South Atlantic
Household income: Under $12,500
Life stage: Middle parent
Meal spending: $10-$25
Best attribute: Good value

Highlights: Western Sizzlin' has lassoed truly awesome numbers. More than half its patrons also say the chain is above average for service, quality of food and cleanliness. The South is home to 72% of its customers.

GOLDEN CORRAL

1986 F&B sales: $332.3MM
Units (1/1/87): 490
Headquarters: Raleigh, N.C.
Where it does best . . .
Region: South Atlantic
Household income: $12,500-$19,999
Life stage: Older parent
Meal spending: $10-25 a week
Best attribute: Good value

Highlights: Patrons also highly admire Golden Corral for its quality of food and service. The chain is focused on smaller markets, with more than 40% of its customers living in areas with less than 50,000 households.

An impressive 46.7% of Sizzler's patrons rated its food above average.

**R&I* estimate **Company estimate MM=millions

R&I CHOICE IN CHAINS

STEAKHOUSE

WHAT PATRONS ARE SAYING ABOUT STEAKHOUSE CHAINS

WESTERN SIZZLIN': "You can choose from steak, seafood, chicken and salad all under one roof" . . . "I usually expect to pay more for such a great steak" . . . "The children's menu is a great value" . . . "I come here because of the convenient location and for the great food bar selection."

GOLDEN CORRAL: "The salad bar is awesome" . . . "The sundae bar is a must and, best of all, it's only 59 cents with a meal" . . . "This place is great. You can pig out for five bucks" . . . "We come here every Sunday. We wouldn't miss it. The family loves it."

SIZZLER: "The price is just right. We come here two to three times a week" . . . "I came here with my husband because we had a coupon and because we don't consider this fast food. It is cheaper for steak than at a real fancy restaurant" . . . "The restaurant was too dark before it was remodeled. This is so much brighter."

SIZZLER

1986 F&B sales: $605.1MM
Units (1/1/87): 544
Headquarters: Los Angeles
Where it does best . . .
Region: Pacific
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Sizzler has more upscale patrons than its competitors. Nearly 50% of its customer base earn more than $30,000 a year. A higher than average percentage of customers spend more than $25 a week eating out.

BONANZA

1986 F&B sales: $480MM
Units (1/1/87): 571
Headquarters: Dallas
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Bonanza patron concentrations also are in the West South Central and South Atlantic regions. Single people of all ages patronize Bonanza at above average rates. Households with heads over 64 rave about the chain.

MR. STEAK

1986 F&B sales: $111.1MM
Units (1/1/87): 175
Headquarters: Littleton, Colo.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Almost half of Mr. Steak patrons live in the two North Central regions. Older working couples and retired working couples give the chain high marks. Parents of all ages make up more than 51% of Mr. Steak's customers.

PONDEROSA

1986 F&B sales: $725MM
Units (1/1/87): 629
Headquarters: Dayton, Ohio
Where it does best . . .
Region: East North Central
Household income: Under $12,500
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Also credit Ponderosa with very respectable scores for service, quality of food and cleanliness. Single people and those from families of five or more people give Ponderosa its highest satisfaction ratings.

Sizzler scores for its service.

*R&I estimate **Company estimate MM = millions

R&I CHOICE IN CHAINS

SWEETS

Baskin-Robbins continues to maintain a firm grip on the top spot in the sweets category—a grip it has maintained throughout the decade. And as these results are as similar as in the past, so are many of the attributes among the chains in this classification. Three chains boast the populous East North Central as the region containing the highest percentage of their customers, three have young parents as their top life-stage group and three have the highest percentage of their customers spending between $10 and $25 weekly on dining out.

BASKIN-ROBBINS

1986 F&B sales: $572.1MM*
Units (1/1/87): 3,311
Headquarters: Glendale, Calif.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Quality of food

Highlights: How sweet it is. Baskin-Robbins once again leads the sweets category. Although B-R is a favorite among all families, it is patronized by a higher percentage of couples without children than any other family composition.

DUNKIN' DONUTS

1986 F&B sales: $648MM
Units (1/1/87): 1,539
Headquarters: Randolph, Mass.
Where it does best . . .
Region: East North Central
Household income: $30,000-$44,999
Life stage: Older parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: Customers also recognize the nation's biggest doughnut chain for food quality. Nearly a quarter of the households patronizing the chain have an income of less than $12,500. Dunkin' has a following in the South.

CARVEL

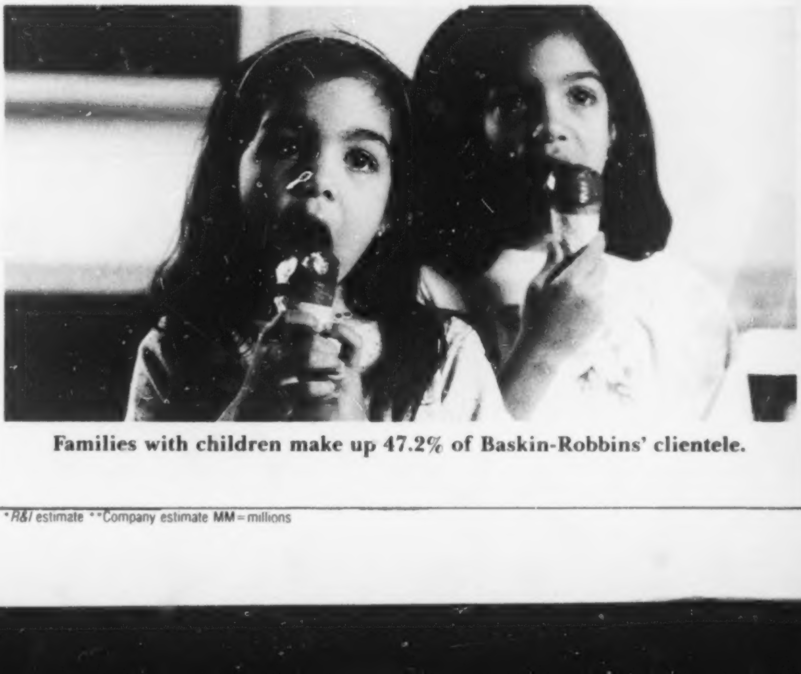
1986 F&B sales: $291.5MM*
Units (1/1/87): 870*
Headquarters: Yonkers, N.Y.
Where it does best . . .
Region: Middle Atlantic
Household income: $30,000-$44,999
Life stage: Young parent
Meal spending: Over $50 a week
Best attribute: Quality of food

Highlights: More than 58% of Carvel's patrons live in the country's Northeastern section. Parents account for more than half of its audience. The more a household spends eating out, the more likely it is to have eaten at Carvel.

DAIRY QUEEN

1986 F&B sales: $1,723MM
Units (1/1/87): 5,513
Headquarters: Minneapolis
Where it does best . . .
Region: East North Central
Household income: Less than $12,500
Life stage: Young parent
Meal spending: $10-$25 a week
Best attribute: Good value

Highlights: The largest treats chain has strong patronage in the South. More than 42% of its patrons earn less than $20,000 a year. DQ is truly a small-town chain: It is strongest in markets with fewer than 50,000 households. R&I



Families with children make up 47.2% of Baskin-Robbins' clientele.

*R&I estimate **Company estimate MM = millions

MENUS

R&I DATA

FOOD COST INDEX: LARGE PRICE INCREASE FOR ICEBERG LETTUCE

Despite the increase in the cost of lettuce, the market-basket total, at $104.56, is down $1.70 from January's total. Last month we reported that the new year was bringing in lower lettuce prices. These prices were still not normal prices. Due to publishing deadlines, the current figures reflect December 1987 prices.

		% change	
	2/88	1/88	2/87
Hamburger (lb. 85% lean)	$1.33	3	12
Chicken (lb. cut for frying)	.80	4	-10
N.Y. strip steak (lb./avg.)	3.47	-3	8
Bread (Pullman loaf)	.78	8	-4
Lettuce (iceberg/head)	1.11	122	118
French fries (30 lb.)	11.58	3	-5
Tomatoes (lb.)	.64	25	10
Milk (gal.)	1.56	-14	-9
Eggs (doz.)	.65	-8	-13
Peaches (case/#10)	17.54	8	-4
Peas (case/#10)	10.52	-15	-20
Frozen beans (30 lb.)	14.20	-7	1
Ice cream (vanilla/gal.)	3.73	10	20
Butter (lb.)	1.41	-8	-23
Cheddar cheese (lb.)	1.46	-8	-13
Sugar*(100 lb.)	29.82	-2	-8
Coffee (lb.)	2.59	7	-14
Breaded fish portions (lb.)	1.37	-20	-28

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FOOD PRICE UPDATE

Weather, Insects Hurt Iceberg Lettuce Supply

But new lettuce varieties could ease shortages.

A drastic reduction in the daily supply coming out of the major iceberg lettuce growing areas caused considerably higher lettuce prices in the latter part of 1987, according to Wade Whitfield, president of the California Iceberg Lettuce Commission.

Growing conditions had been unfavorable for quite some time, and adverse weather conditions further complicated the situation. The results were greatly reduced yields of iceberg lettuce, with reports of 50% reductions or more.

The situation changes every day, according to Whitfield. It seems, however, conditions were returning to normal as of this writing.

The growing areas were hard hit, first by seasonal heat which caused tip burn and then by a massive white fly problem in the desert growing regions. The white fly spreads a growth retarding disease. The fly attaches itself to the underside of the head of lettuce, out of the way of sprays.

At the moment, no effective measures are in sight for controlling the white fly. The desert areas are the major melon producing areas, and the vines are host plants for the white fly. Normally, the weather change from summer to fall knocks down the insect population, but this year that didn't occur.

The first major outbreak of white fly was in 1981-82. There was a large infestation and lettuce prices jumped. At that time, the Imperial Valley, close to the Mexican border, was hardest hit. Now the entire desert area is affected. Some fields were so hard hit that not even one head of lettuce could be cut.

Since 1981, when the first outbreak occurred, extensive research has gone into the eradication of the white fly by universities such as University of California/Davis and other agencies such as the U.S. Department of Agriculture. The best solution seems to be to develop a variety of lettuce that is resistant to the white fly.

Lolla Rossa, Red and Green Oak Leaf, Red and Green Perella, Red Romaine and Frisée are lettuces that can be used until iceberg is back to normal production levels. These "baby" lettuces, small, tender heads, are being shipped in a mix, two dozen to the box.

—Kathleen Marshall

Any number of new baby lettuce varieties can be substituted for iceberg.

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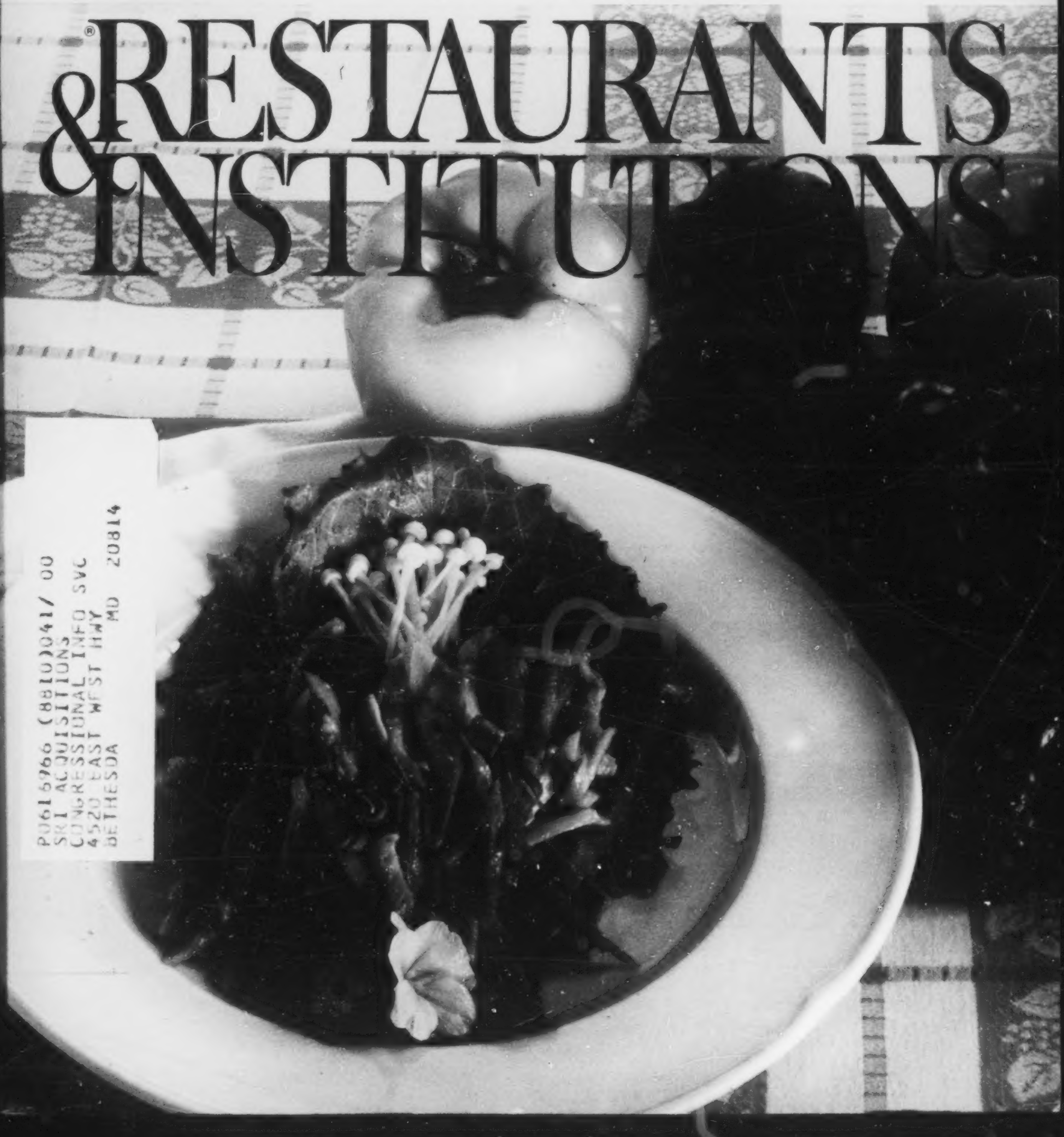

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RESTAURANTS & INSTITUTIONS

BRESLER'S ice cream & yogurt

Yogurt Inspires New Name for Bresler's

Bresler's 33 Flavors is now known as Bresler's Ice Cream and Yogurt.

"We definitely feel the new name and logo better reflect what's happening at Bresler's," says President Dave Lasky. "Because the frozen yogurt product is becoming an increasingly strong seller, it's time we put our promotional muscle and identity behind it."

The Lite Delites frozen yogurt line at Bresler's includes a regular frozen yogurt, the Weight Watchers Frosted Treat and the Ice Quake.

Lasky says these products make up nearly 25% of sales for the chain, and the company believes that percentage will continue to increase.

Bresler's, based in Des Plaines, Ill., was acquired in 1987 by Oberweis Dairy Inc. of Aurora, Ill.

G.D. Ritzy's Debuts Daddy-O's Drive-Thru

G.D. Ritzy's, the Columbus, Ohio-based operator of 58 diners, will open its first Daddy-O's Drive-Thru Express during the first quarter of this year. The double drive-thru will offer single and double hamburgers and cheeseburgers, chicken sandwiches, chili dogs, hot dogs and batter-dipped fries.

Ritzy's President and Chief Executive Officer William Coleman says the new concept is a logical diversification for the chain, because of the ever-growing number of transactions made through the drive-thru window. Coleman says the Daddy-O's name was chosen to link the two '50s-style concepts together.

—*Brad Stratton*
—*Lisa Bertagnoli*

DADDY-O's™ Express Drive-Thru
Burgers • Fries • Shakes

R&I DATA

AVERAGE MENU PRICES: ALL-AMERICAN

R&I tracks average selling prices for a variety of menu items at restaurants across the country. The latest survey results show the average price for hamburgers and cheeseburgers dropped about 15% from the previous quarter. French fry prices also dipped 10%. But the price of pizza jumped more than 15% in the final quarter of 1987.

Item	Full service	Fast food	Hotel/ motel	North-east	South	North Central	West
Beverages:							
Coffee	$ .58	$ .48	$1.05	$ .70	$.79	$.59	$.59
Iced tea	.67	.63	.69	.67	.67	.65	.70
Soft drinks	.89	.64	1.07	.90	.74	.75	.94
Beer	1.58	1.05	1.85	1.88	1.60	1.39	1.95
Wine (glass)	1.72	1.10	1.84	1.97	1.86	1.50	1.73
Sandwiches:							
Hamburger	2.67	1.46	3.94	2.79	3.44	2.70	2.57
Cheeseburger	2.95	1.51	4.14	2.81	3.69	3.04	2.82
Ham & cheese	2.42	2.51	3.92	2.92	3.09	2.71	3.16
Club	4.13	4.08	4.50	4.29	4.52	4.09	4.42
Fish	2.33	1.97	3.51	2.40	2.92	2.55	2.67
Chicken patty	3.40	1.90	3.56	2.68	3.03	2.49	4.18
Other:							
Chili	1.86	1.41	2.73	1.50	2.11	1.98	1.90
French fries	.92	.75	.86	.98	.74	.82	.86
Scrambled eggs	1.90	1.42	2.68	2.95	1.98	1.37	2.47

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CONSUMERS' CHOICE

COMING OUT OF THEIR SHELL

About 23% of those answering the 1987 *Restaurants & Institutions* "Tastes of America" survey indicate that they are ordering shellfish more frequently this year than last year. Young couples and older singles showed the greatest interest in shellfish, while only 8% of young singles say they are ordering more lobster, shrimp and crab than in the past.

—*Jeff Weinstein*

ACTION EXPRESS

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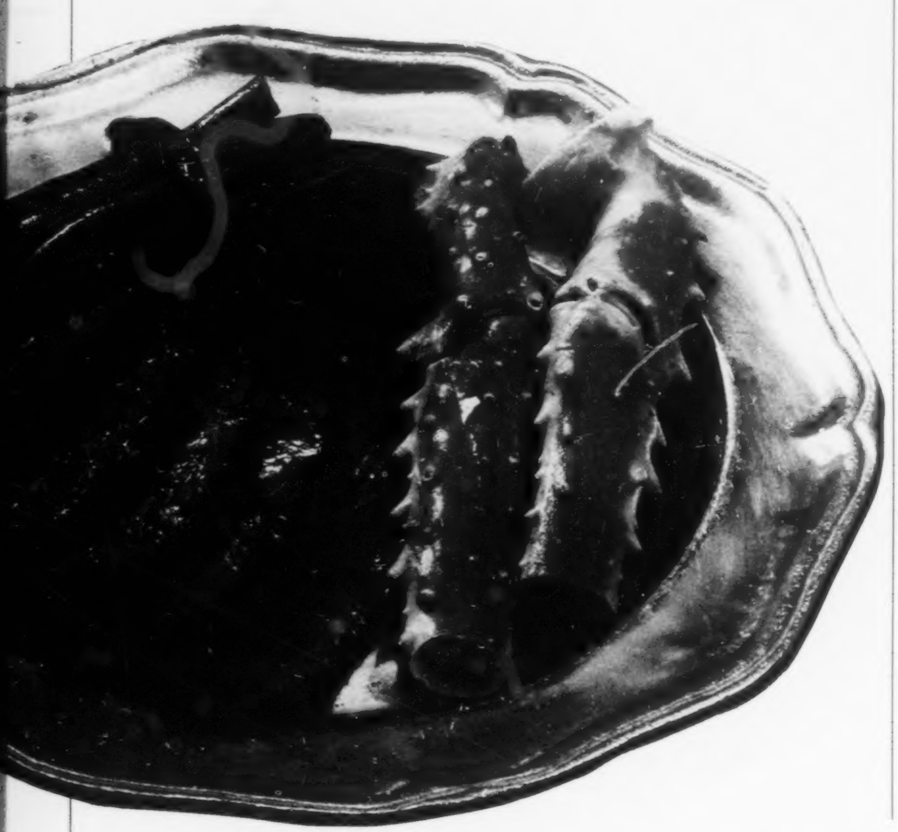


After 1988 taxes are filed, corporations may scrutinize business expenses more closely.

■ TAXES

CREST: Business Meal Sales Off 18% in 1987

Data show upscale restaurants hardest hit by 20% cutback in meal deductions.

A little more than a year has passed since the 1986 tax reform legislation went into effect, limiting deductions for business-meal expenses to 80% of the expenditure.

The restaurant industry, especially high-ticket independent operations that rely on the longstanding tradition of making business deals while breaking bread, has been concerned that the new tax law would have an adverse effect on expense-account-related spending.

Now, according to analysis of data by George Rice, president of GDR/CREST Enterprises, it appears the industry's fears are well-founded. Total industry sales attributable to business expenses declined 18% in 1987, CREST reports. If the figures merely represented the continuation of a trend, the news might not come as a shock. But the 18% decline comes on the heels of substantial business-meal spending gains reported by CREST in both 1985 and 1986.

"We are disappointed, but not surprised," says Bill Fisher, executive vice president of the National Restaurant Association. "Our disappointment goes back to Congress, because we told them what the likely adverse outcome would be. Now the data show there was a significant impact."

Ted Balestreri of the Sardine Factory in Monterey, Calif., says, "Business-meal activity has certainly declined. I have noticed more conservatism at corporate banquets. Instead of ordering the $20 bottle of wine, businessmen order the $7 bottle. It will take an even bigger toll after companies do their '88 taxes and realize what the 20% reduction costs."

When examined by daypart, lunch and dinner account for the largest share of expense-account revenue. Revenue declines were greatest at breakfast (−23%) but this daypart represented only 8.6% of total business-meal sales. Lunch represented 41.5% of the total and suffered a 17% loss in business from 1986 to 1987. Supper revenue, representing 47.1% of the market, slipped 19% in 1987.

Alan Tutzer of L'Escargot in Chicago says his dinner business was down 5% to 10% in 1987 and he attributed the loss to lighter convention business. "In 1987, I think there were fewer travel days and lower attendance at conventions in Chicago than anticipated," says Tutzer. "That has probably attributed as much to the downturn as the 20% cut in the business-meal deduction."

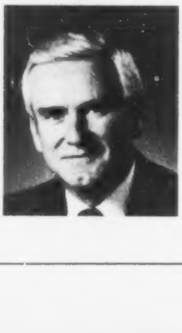
Exactly how much of the 18% decline can be attributed to the "80-20" law?

A spokesman at IBM says there has been no specific company policy instituted in reaction to passage of the law last year. He added, however, in an attempt to stay lean and competitive, IBM has reduced overall discretionary spending with a focus on making sure expenses are justified.

At Chemical Bank in New York, Neil Reyer, vice president of restaurant services, says entertainment budgets are being cut continuously, and executives are being encouraged to save money by bringing clients to the corporate dining room. But again, no policy has been implemented as a result of the "80-20" law.

Jay Brandzel, national tax

George Rice



PERCENTAGE OF RESTAURANT SALES ON EXPENSE ACCOUNTS
(based on CREST estimate of $140 billion sales in 1987)

	1987	1986	1985
Total	2.83%	3.47%	[illegible]
Quick service	1.22	1.44	1.28
Midscale	2.57	3.14	3.15
Upscale	6.85	8.25	7.87

Source: GDR/CREST Enterprises

partner at the accounting firm of Laventhol & Horwath, says he was surprised to hear about the 18% drop. "Accounting procedures have been changed to capture business-meal information, and we are seeing some companies instituting policies to take a closer look at the nature of these expenses and whether they are necessary over a certain dollar amount," says Brandzel. "But I didn't think we'd see an impact until corporations did their 1988 taxes."

Bill Fisher, however, feels the "80-20" law is the only thing he can trace to the decline in business-meal activity.

"1987 was a pretty good economic year," says Fisher. "Unemployment was down, there was some real growth in the economy, interest rates were down by the end of the year. There might have been some trepidation among the public after the stock market crash, but the countervailing research shows Main Street didn't pay much attention to Wall Street. So I don't have a better explanation for that type of drop-off."

Fisher says the NRA will show these numbers to Congress to avoid any further reduction of the business-meal deduction. "We are in a damage-control posture with regard to meal deductibility," he says. "We will show Congress this information and tell them not to even think about lowering the deductibility further."

While there is uncertainty as to what led to the 18% decline, there is agreement the figures for 1988 could be even worse once corporations and individuals file their tax returns.

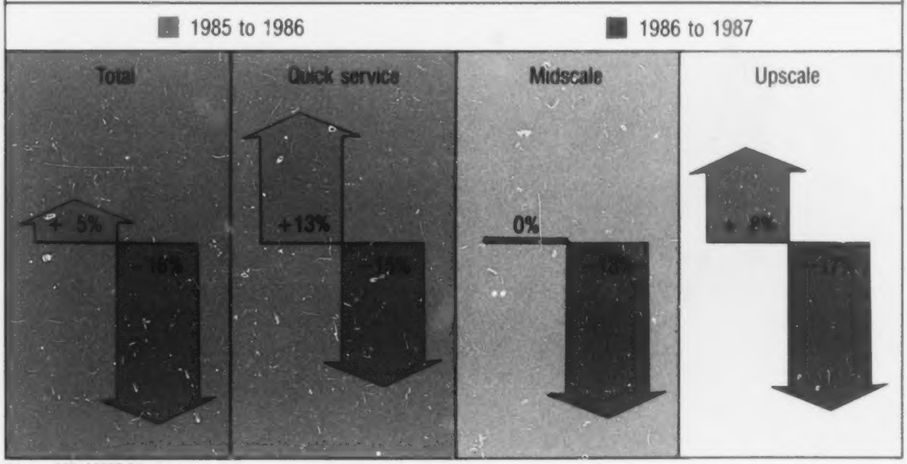
"We are concerned about being more flexible about meeting banquet needs and are coming up with new items that are less expensive," says Balestreri.

Fisher says he hears of dinner houses opening for lunch and is beginning to see more dinner specials and promotions like "frequent diner" programs to help boost frequency and loyalty.

Rice says operators might consider something as simple as creating an awareness of the opportunity a restaurant provides as a good business environment. "Promote elements of decor, sound level and space," he says. "Reserve certain booths and create areas that are conducive to small business meals."

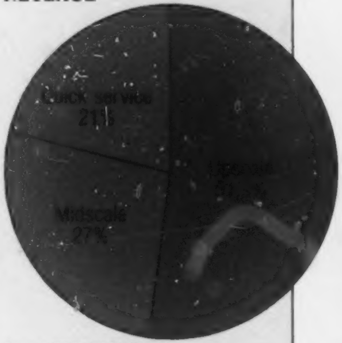
—Jeff Weinstein

PERCENTAGE CHANGE OF REVENUE FROM EXPENSE-ACCOUNT MEALS



Source: GDR/CREST Enterprises

TOTAL BUSINESS-EXPENSE REVENUE



Source: GRD/CREST Enterprises

UPSCALE HIT HARD

Upscale operations accounted for 52% of the expense-account market. The 17% decline in 1987 represents an approximate $420 million loss in business. Independent operators within the upscale segment are hit the hardest as they account for 75% of expense-account business.

R&I DATA

FOOD COST INDEX: COMMODITY FOOD PRICES CAN BE DECEIVING

The market-basket total for March is $104.36, a decrease of only 20 cents from February. Lettuce is beginning to show a decrease in price, while quality is on the rise. Although butter and Cheddar cheese costs look as if they have increased substantially, this is a result of a sharp price drop of 8% for both last month. Prices are now closer to normal. This is also true for the price of breaded fish portions. Last month's price of $1.37 was a 20% decrease from January's $1.71.

		% change	
	3/88	2/88	3/87
Hamburger (lb. 85% lean)	$1.30	−2	9
Chicken (lb. cut for frying)	.76	−5	−15
N.Y. strip steak (lb./avg.)	3.32	−4	3
Bread (Pullman loaf)	.77	−1	−5
Lettuce (iceberg/head)	1.06	−5	108
French fries (30 lb.)	12.44	7	2
Tomatoes (lb.)	.67	5	16
Milk (gal.)	1.79	15	4
Eggs (doz.)	.62	−5	−17
Peaches (case/#10)	17.41	−1	−5
Peas (case/#10)	10.52	0	−20
Frozen beans (30 lb.)	14.44	2	3
Ice cream (vanilla/gal.)	3.54	−5	13
Butter (lb.)	1.68	19	−9
Cheddar cheese (lb.)	1.64	12	−2
Sugar (100 lb.)	28.25	−5	−12
Coffee (lb.)	2.43	−6	−19
Breaded fish portions (lb.)	1.72	26	−9

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FOOD PRICE UPDATE

1988 Outlook Looks Good for Poultry, Seafood, Eggs

In other news, Mother Nature plays havoc with some West Coast produce.

This should be a growth year for the poultry, confectionery and soft drink industries, according to the U.S. Commerce Department.

Following are excerpts from the Commerce Department's "U.S. Industrial Outlook, '88."

Dairy products: Overall industry shipments of $45.45 billion represented real growth of only 0.6% above 1986 levels, but 1988 should see improvement.

Seafood: Consumer preference for seafood climbs, even as price increases outpace those of competing products. Assuming the national economy continues to grow, per capita consumption could reach 15.3 pounds.

Poultry: According to the Commerce Outlook, poultry has another good year ahead. Per capita consumption in 1988, forecast at 82.8 pounds (retail-cut equivalent), should grow by some 4.6 pounds from 1987. Also, wholesale broiler prices are forecast to drop to 44 cents per pound in 1988.

Egg: Eggs are expected to be bought at unusually low prices. The volume of eggs in the winter months is about 1% above last winter's volume. This trend is expected to continue through early 1988.

In other news . . . The beginning months of January found the Florida harvest of oranges lagging behind year-ago figures, with just 16.2 million boxes harvested compared to 20.1 million boxes at the same time the previous year. The grapefruit harvest was also running under year-earlier levels . . . The supply of larger sizes of broccoli have been affected by rains and a freeze in California. Supplies of cauliflower also are declining. Part of the decrease can be attributed to a seasonal decline, as most shippers in Salinas, Calif., have now finished for the season, but Santa Maria, Calif., supplies have been reduced by cold weather and rains . . . The International Coffee Organization reduced the global export quota by a million bags in early January. Coffee prices have weakened sharply over the past year as consuming nations are holding more than ample supplies already.

—***Kathleen Marshall***

Processors of canned orange juice received only 12.4 million boxes of the early varieties of oranges, versus 16.5 million the year before.

FOOD

continued from page 135

Spicy marinades, savory sauces and lively accompaniments spark renewed interest in beef.

KOREAN BARBECUED BEEF

Yield: 4 servings

Soy sauce	½ cup
Sugar	6 Tbsp.
Sesame oil	4 Tbsp.
Pepper	½ tsp.
Green onions, finely chopped	6
Garlic cloves, minced	4
Sesame seeds	1 Tbsp.
Frozen prepared beef kebabs, thawed	4

Method: Mix first 7 ingredients. Pour into a shallow, flat pan; place kebabs in marinade. Cover; let stand for 2-3 hours, turning occasionally. Remove kebabs from marinade; skewer and broil for 8-12 minutes.

GERMAINE SWANSON'S SHAKING BEEF CUBES

Yield: 24 servings

Shallots, pared, minced	4 oz.
Oil	9 Tbsp.
Meat seasoning sauce	6 Tbsp.
Reduced-sodium soy sauce	6 Tbsp.
Garlic, pared, minced	4 Tbsp.
White pepper, freshly ground	¾ tsp.
Beef tenderloin, trimmed, cut into ¾-in. cubes	6 lb.
White vinegar	6 Tbsp.
Sugar	1 tsp.
Boston lettuce, washed, torn into bite-sized pieces	3 gal.
Red onions, pared, ¾-in. dice	2 lb.

Method: Combine shallots, 3 Tbsp. oil, meat seasoning sauce, soy sauce, 3 Tbsp. garlic and ½ tsp. pepper. Add beef; marinate at room temperature for 20 minutes; set aside. Combine vinegar, the remaining 6 Tbsp. oil, the remaining garlic, pepper and sugar. Toss dressing with lettuce; reserve. For each serving: Place wok or heavy skillet over high heat. Add oil as needed; heat to smoking point. Drain 4-oz. beef; add to wok. Stir-fry 2-3 minutes, until medium rare. Add a generous oz. of diced onion; fry until tender-crisp. On serving plate, portion 2 cups lettuce mixture; arrange beef and onion over lettuce.

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Marinated grilled steak is served on corn tortillas with fresh salsa and a sprig of cilantro.

HOTEL DINING ROOMS SELL THE MOST BEEF

While the health care segment has the highest percentage of operations offering beef, the heaviest beef users, those buying more than $1,000 a week, fall in the lodging segment.

	On Menu	Heavy Users
Full service	94.1%	32.6%
Fast food	80.7	40.1
Hotel/motel	92.5	42.5
Hospitals	97.5	31.5
Schools/colleges	76.9	18.1
Employee feeding	87.6	38.1

Heavy users purchase $1,000 or more per week. Source: 1987 Simmons Research

FOOD

GALLUP SURVEY IDENTIFIES FOUR DINER GROUPS

In the four eating-out styles identified by the Gallup survey, a concern for nutrition barely surfaces.

Casual (30%): **Young people (18-34 years old) like casual atmosphere, large portions at low cost. They like fast-food chains, cafeterias, pancake restaurants.**

Adventurers (26%): **Adults aged 25 to 49 years of age seek variety in atmosphere and menu, availability of alcoholic beverages. They like ethnic and seafood restaurants.**

Meat Lovers (24%): **Customers 35 and older often consider meat a highly important part of the meal. They like steakhouses and family-style restaurants.**

Conventional (20%): **Customers of retirement age dine out less often, prefer familiar foods. They like special-occasion and family-style restaurants.**

HEALTHLINE

Consumers Ambivalent about Nutrition

They want information, but the desire for flavor and familiarity are likely to rule menu choices.

Restaurant customers want to know more about the food they are eating, but they may not use that information to choose menu items high in nutrients or low in calories, according to The Gallup Annual Report on Eating Out.

Between 1982 and 1986, the proportion of consumers asking for more information about the nutritional value of menu items rose from 18% to 27%. During the same period, the desire to be told about additives and ingredients in menu items jumped by 6% and 4%, respectively. Apparently, customers want more help in identifying healthful menu items than in zeroing in on low-calorie dishes, for the demand to include caloric content on menus remained at about the same level (21%) as four years ago.

This desire for nutritional information, at least among a minority of consumers, has not led to much alteration in eating behavior, however. The Gallup survey showed virtually no change in the number of people ordering dessert, for example. And when given a chance to state preferences in food preparation, people often gravitated to dishes that sounded flavorful or familiar, whether they had impeccable nutritional credentials or not.

When customers were asked to choose a favorite appetizer, for instance, marinated shrimp came in second to calorie-packed Crab Rangoon (deep-fried pastry turnovers with a sweet curry sauce). In the vegetable and salad categories, on the other hand, consumers voted for plain presentations over more elaborate but unfamiliar preparations; fruit salad was the highest-ranking salad, while unadorned corn and green beans beat out zucchini in vinaigrette sauce.

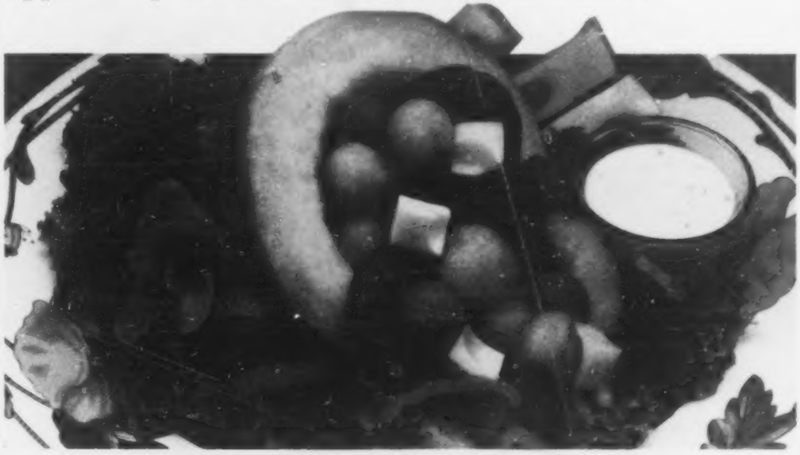
Significantly, the Gallup survey's profiles of four diner groups indicate that nutrition is not a foremost consideration in choosing a restaurant (see sidebar at left). Cost, the decor and general menu appeal are far more important determinants.

The Gallup results parallel those in *R&I*'s latest "Tastes of America" survey. Not only did customers say they were less concerned about nutrition than a year ago, but their behavior followed suit—they were noticeably more lukewarm about eating smaller portions, eating fewer meals, or substituting a salad or appetizer for a traditional entree than they were in 1986.

Pie is a popular dessert choice for "conventional" diners (l.). Followers of a "casual/low cost" food style tend to eat fast food (r.).

FOOD

Self-service food bars and menu variety appeal to practitioners of "situational nutrition."



Enthusiasm for dieter's specials is lower than in 1982.

At the same time, the "Tastes of America" respondents said restaurants should offer more menu items low in sodium, fat, cholesterol and calories. Given the first set of responses, the question of whether they would order those items remains uncertain.

The Gallup and "Tastes of America" surveys were directed to a cross-section of Americans, but research by the magazine *American Health*—whose readers are more health-conscious than average—also shows a gap between intentions and actions. Readers announce goals of cutting back on calories, fat, cholesterol or salt. But at the same time they are buying more fresh fruit and vegetables, and they are bringing home more sweets, snacks and sodas.

American Health identified four common "food styles" among readers: the semi-gourmet restaurant diet, vegetarian diet, weight-conscious Epicureanism and fast-food fans. Although people in all but the last category professed a strong interest in a healthful or low-calorie diet, an analysis of the foods they actually consumed concluded that "fat intake for most diarists was well above the American Heart Association's recommended maximum—30% of calories—and fiber below the National Cancer Institute's recommended 20 to 30 grams a day. Cholesterol was often more than the AHA'S 300 mg. daily limit. No diet provided enough zinc. Women were generally short of calcium, iron, copper, manganese, vitamin B-6 and folacin."

The magazine attributes inconsistent and sometimes unwise menu choices to readers' practice of "situational nutrition." The same person might select salad for a power lunch, lobster for a romantic dinner and ice cream during a self-indulgent mood.

What are restaurants to do, in the face of such erratic behavior? One service they could perform is to help fulfill the consumer's expressed desire for more information on nutrition. Ways to do this are endless: nutritional information on menu items, advice (on request) from well-informed servers, and seminars on diet and nutrition.

They can also satisfy consumers' desire for better control over the food they eat in restaurants, as indicated in the Gallup survey results. Nearly 60% said they want a wide variety of selections on the menu; this amenity is particularly important to men. Interest in self-service salad and soup bars was also up sharply, especially among women.

Although more women than men were partial to the idea of a dieter's plate, this amenity drew a lackluster response (20%) overall. Perhaps customers don't want to commit themselves to the restaurant's conception of a low-cal meal; they'd rather make their own decisions about ingredients and quantity by filling their plates at a food bar.

—Toni Lydecker

CONSUMERS DEMAND FREEDOM OF CHOICE WHEN DINING OUT

The 1987 Gallup survey shows customers want strict control over the food that goes on their plates:

	Change in % points from '75-'86
Self-service soup bar	**+16**
Menu variety	**+14**
Self-service salad bar	**+12**
All-you-can-eat specials	**+ 8**
Portion size choices	**+ 7**
Dieter's specials	**+ 2**

ACTION EXPRESS

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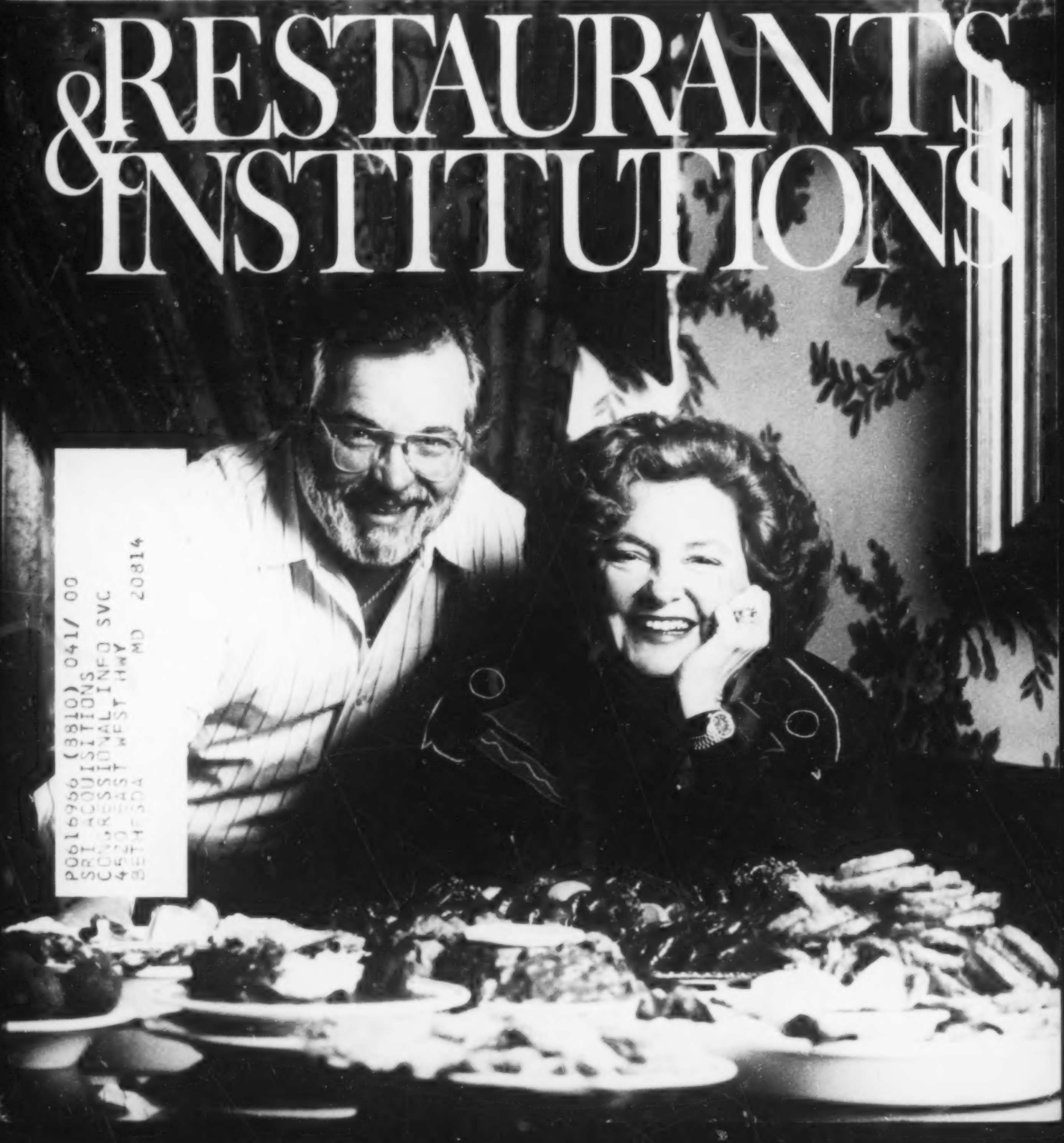

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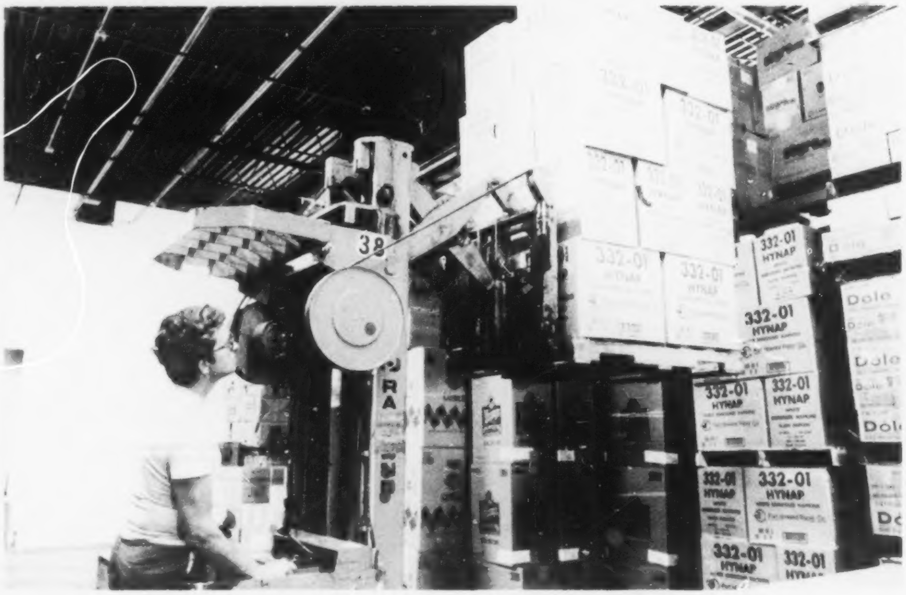

Distribution today is a weight-lifting contest operators will judge.

SUPPLIERS

Independents React to Giant Distributor Moves

Service, marketing and reach are the competitive goals driving today's supply system.

During the past three years, acquisition activity among foodservice distribution companies has raced along at a dramatic pace. Kraft Food Service Co. alone has purchased more than 20 small distributors since June 1985. Other major distributors such as PYA/Monarch, Sysco and Staley Continental also have been busy buying up small independents as they strive for purchasing clout and greater consistency in service and product across a region or the entire country.

"Consolidation is a reflection of a maturing industry," says Ron Paul, president of Technomics, a foodservice consulting firm. "It allows distributors to achieve some economic leverage and advantages that ultimately should be reflected in more efficient pricing to customers."

Numerous reasons have been cited as to what triggered the wave of acquisitions and mergers and created a new group of superdistributors.

"The industry is operating in a mature environment and there is pressure to gain greater productivity, buy better and market better, and the market is automatically thrown into a consolidation mode," says Mike Gray of Pocahontas Foods USA.

Some industry experts refer to the domino effect—once one company started buying, the others followed suit. Others say companies were taking advantage of acquisition tax incentives.

Another key factor in explaining the consolidation trend is the change in distributors' customer bases. Twenty years ago, there were only a few chain customers. Today, however, chains account for a much greater share of all foodservice purchases and have created the need for greater geographic distribution.

Peter Nordlund, marketing manager at Staley Continental's foodservice division, says this operator consolidation has placed increased demands on distributors. "Chains want consistency of product and services across a region or the country," says Nordlund. "Dealing with local distributors here, there and everywhere who don't have the computer services or purchasing clout does not allow them to obtain that consistency."

A random survey of foodservice operators conducted by the Cahners Bureau of Foodservice Research, an affiliate of *Restaurants & Institutions*, shows operators expect competitive pricing, merchandising support and brand selection to improve as a result of the recent mergers and acquisitions. Some operators feel understanding of the local market, personalized service and responsiveness to individual customer needs will slip.

In response to customer fears about service, Tully Rankin, vice president of business development for PYA/Monarch, says, "I have not noticed any drop in the level of service since consoli-

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S.E. RYKOFF & CO

Superdistributors must maintain customer focus.

dation intensified.

"You can't afford to go back today," says Rankin. "Distributors know it is cheaper to do things right on the first call."

Others argue it is no longer profitable for large distributors to call on small independent operators. And while there is agreement that new opportunities may exist for warehouse clubs and the old "wagon jobber" distributor, the larger distributors say they will not forget about the "little guy."

"I don't think anyone has to worry," says Jim Lowery, executive vice president of finance and administration for Sysco. "Some of the smallest operators might have to consolidate purchases to make it profitable for us. When they do, they will get plenty of attention."

Rankin says, "The problem with a lot of customers is they enjoy buying from many different suppliers. They will have to narrow the number they can support . . . The independent will continue to have someone to sell to them."

While merger and acquisition activity is expected to continue, but at a slower pace, the trend does not spell the end for independent distributors. In fact, smaller distributors see potential for growth because they feel larger distributors are not effectively addressing the needs of the many small restaurant operations. The industry is beginning to see a second tier of distributors filling the void. In 1987, the fastest growing independents increased their sales nearly 25%.

Distributors are busy updating communication systems.

"Our objective is to continue to develop unique service levels," says Steve Thoms, vice president of systems design for Thoms Proestler Co. of Davenport, Iowa. "We want to do the types of things that further separate us from the large suppliers."

Small- and medium-sized distributors also need to learn new ways to stay competitive with services offered by the giants. Group affiliations, which help lower the costs of providing state-of-the-art services, are growing in popularity.

To match the purchasing clout and affordability of marketing services of the large corporate distributors, buying groups such as ComSource Independent Foodservice Companies Inc. have organized. ComSource is the result of the merger of Nifda Inc. and North American Foodservice Cos. Inc. Designed to service the independent operator, the coalition of 135 independently owned distributors now represents the largest foodservice distribution group in the world, representing almost $6 billion (7%) in sales to the industry. ComSource will provide a very strong financial base, allowing for aggressive expansion of purchasing programs and a cafeteria plan of selected marketing services.

"Our involvement is primarily with the supplier community and with services to keep our member distributors more competitive," says ComSource President Shannon Talley. "We will be doing more consolidated procurement, taking positions on product and actually buying products in blocks."

With corporate distributors driving hard toward capturing a larger share of the market, Gray and Talley expect more independents to affiliate with distributor groups. —***Jeff Weinstein***

HOW OPERATORS VIEW DISTRIBUTOR CONSOLIDATION TREND

The results of an October 1987 telephone survey of restaurant operators who deal with distributors that have been involved with mergers and acquisitions show the majority feel the consolidation trend will have a positive impact on the foodservice industry.

	Number	Percent
A positive development	29	50.0%
A negative development	20	34.5%
No effect	9	15.5%

Source: North American Foodservice Companies Inc.

COMSOURCE
Independent Foodservice Companies, Inc.

INDEPENDENT GROUPS COMPETE AND GROW

By consolidating forces under the banners such as ComSource, independent and investor group-owned distributors hope to keep up with technology and find better ways to lower operating costs. In order to maintain a competitive posture for their customers, members can pick and choose marketing services that fit their needs without paying for another member's program.

R&I EXCLUSIVE

COVER STORY

AMERICA'S TOP 100 INDEPENDENTS

By Julie Mautner

Clifton's Brookdale Cafeteria in Los Angeles has 737 seats and a decor meant to evoke the North Woods—beams that look like redwood tree trunks and a small splashing stream in the dining room. The two top menu items are fried chicken and roast turkey, and no liquor is served. The restaurant has a check average of just $3.40.

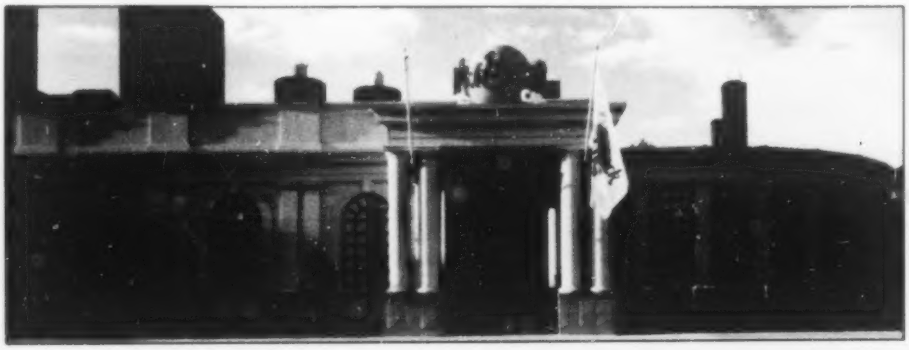
The Quilted Giraffe in New York has 85 seats, four stars from *The New York Times* and a dinner check average of $135 per person—which makes it almost 40 times as expensive as Clifton's. Caviar and smoked salmon top the list of best-selling items, and the wine list includes bottles priced to $450.

East is East and West is West, but these two restaurants *do* meet, their conceptual and coastal opposition bridged by a kindred spirit: the proprietors' passion for excellence and the dedication necessary to achieve it. It is this spirit that *R&I* set out to capture five years ago when we began ranking Top Independents, and it is this spirit to which we dedicate the following 11 pages.

As in years past, the top 100 restaurants are ranked by their 1987 food and beverage sales; revenues from gift shops, cover charges and room rentals are not included. Each restaurateur provides a sales figure and is responsible for its accuracy. In cases where no figures are supplied, *R&I* estimates sales and indicates these estimates with an asterisk.

To qualify as an independent, an operator may own no more than 10 restaurants, and we've listed each by his most successful concept. Restaurants located in areas with built-in customer traffic—theme parks such as EPCOT, casinos, airports and large hotels—have been disqualified while operators who lease space in small hotels or who offer lodging as well as dining, have not. Each restaurant on our list is at least one year old, open prior to January 1987.

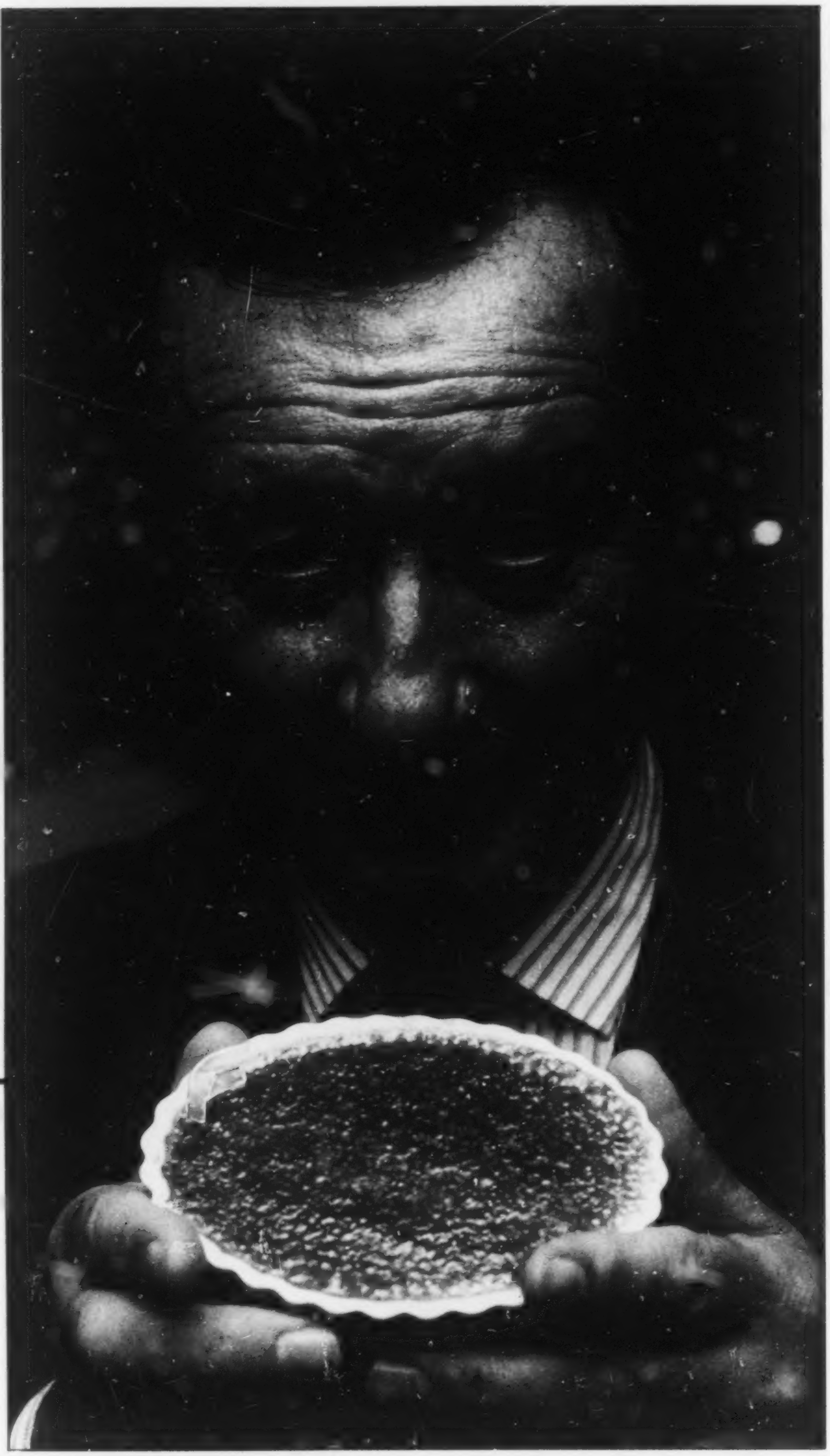
Among this year's Top Independents, you'll find a few operators who've made headlines in the past 12 months, among them Marshall Cogan (who closed The '21' Club for 14 weeks and



Peter Morton's Hard Rock Cafe (Chicago) rang up 1987 food and beverage sales of $7.2 million, and another $3.2 million in T-shirts, sweatshirts and the like. Morton opened two Hard Rocks in 1987—New Orleans and Honolulu—bringing his total to seven. He also owns the upscale Morton's in Los Angeles.

reopened with a new look and two award-winning chefs) and Frank Giuffrida (who will soon start expanding his successful Hilltop Steak House concept). You'll find many familiar faces and some new names as well; you'll find restaurateurs in their 80s and some in their early 20s. You'll find brothers and sisters, mothers and daughters, in-laws, cousins and friends—and you'll find some of America's finest restaurateurs.

Join us on the following pages as we toast the Top 100 Independents for 1988.



It's called The Circus, but this genteel, 125-seat Manhattan restaurant is anything but. At Le Cirque, proprietor Sirio Maccioni, who began in the business at age 14, plays host to the city's most powerful and prosperous patrons, offering impeccable service and the finest French food. His Crème Brûlée, voilà!

THE TOP 100

Rank	'87 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
1	1	**The Hilltop Steak House** Saugus, Mass. Frank Giuffrida	$30.5MM*	1951	1,300	2,350,000*
2	2	**Tavern on the Green** New York, N.Y. Warner LeRoy	25.5	1976	1,197	620,000
3	6	**The '21' Club** New York, N.Y. Knoll Int'l Holdings (Marshall Cogan)	15.1**	1923	500	180,000*
4	3	**Phillips Harborplace** Baltimore, Md. Brice, Shirley, Steven & Olivia Phillips; Paul Wall	15.0	1982	700	540,000*
5	4	**Anthony's Pier 4** Boston, Mass. Anthony Athanas & Family	14.6	1963	650*	600,000
6	5	**Smith & Wollensky** New York, N.Y. Alan Stillman	14.5	1977	400	307,000
7	8	**The Manor** West Orange, N.J. Harry Knowles & Family	14.1**	1957	1,500	400,000
8	—	**The Four Seasons** New York, N.Y. Paul Kovi & Tom Margittai	14.0	1959	400	187,800*
9	14	**Zehnders of Frankenmuth** Frankenmuth, Mich. Edwin L. Zehnder	13.0	1856	1,300	1,025,114
10	7	**Spenger's Fish Grotto** Berkeley, Calif. Frank L. Spenger & Frank Spenger Jr.	11.9	1890	700	912,500
11	10	**Old San Francisco Steakhouse** Dallas, Texas Henry Reed & Partners	11.1*	1974	750	504,000*
12	—	**Scoma's Restaurant** San Francisco, Calif. Al Scoma	10.9	1965	235	507,918
13	17	**The Russian Tea Room** New York, N.Y. Faith Stewart-Gordon	10.5	1926	325	300,000
14	—	**Shooter's on the Water** Fort Lauderdale, Fla. Reg Moreau, Al Lahaye, Mel Burge & Rolly Maranda	10.5	1982	360	620,500
15	13	**The Water Club** New York, N.Y. Michael D. O'Keeffe	10.5	1982	250	140,000*
16	12	**Old Original Bookbinders** Philadelphia, Pa. John & Albert Taxin	10.3**	1865	800	264,000
17	15	**The Kapok Tree** Clearwater, Fla. Aaron R. Fodiman & Murray Steinfeld	10.2	1957	1,750	857,370
18	—	**Le Cirque** New York, N.Y. Sirio Maccioni	10.0*	1974	125	117,375*
19	—	**Jimmy's Harborside** Boston, Mass. Charles J. Doulos	9.5	1924	460	346,510
20	11	**The Hard Rock Cafe** New York, N.Y. Hard Rock International PC (Issac Tigrett)	9.2	1984	250	711,209
21	9	**Legal Sea Foods** Boston, Mass. (Boylston St.) The Berkowitz Family	8.9**	1975	329	363,000
22	18	**Haussner's Restaurant** Baltimore, Md. The Haussner Family	8.9*	1926	880	600,000*
23	38	**Joe's Stone Crab** Miami Beach, Fla. The Sawitz & Weiss Families	8.6†	1913	380	331,000
24	—	**Ditka's** Chicago, Ill. Mike Ditka, Jerry Vainisi, G. Shlaes & E. Pontillo	8.5	1986	160	189,000*
25	16	**Yesterday's** Fort Lauderdale, Fla. Peter Goldhahn	8.3**	1975	650	340,000*

* *R&I* estimate ** owner estimate † open only seven months ©1988 *Restaurants & Institutions*, a Cahners publication

RESTAURANTS & INSTITUTIONS

Rank	'87 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
26	—	**Gallagher's Steak House** New York, N.Y. Jerome Brody	$8.2MM	1937	240	290,000*
27	19	**The Rascal House** Miami Beach, Fla. Norman & Steve Stamler, Arthur Goodman	8.2	1954	425	1,724,250
28	20	**Mai-[illegible]** Fort Lauderdale, Fla. Robert F. Thornton	8.1	1956	475	230,000
29	22	**The Berghoff** Chicago, Ill. Herman Berghoff & Family	8.0	1898	700	900,000
30	21	**Columbia Restaurant** Tampa, Fla. Cesar Gonzmart & Family	7.7	1905	1,660	515,350*
31	32	**Montgomery Inn-Ribs King** Cincinnati, Ohio Ted Gregory Family	7.7	1951	384	725,000**
32	23	**Frankenmuth Bavarian Inn** Frankenmuth, Mich. William Zehnder Jr. & Family	7.6	1888	1,200	800,000
33	—	**The Hard Rock Cafe** Chicago, Ill. Peter Morton	7.2	1986	250	727,000
34	—	**Space Needle Restaurant** Seattle, Wash. The Howard S. Wright Family	7.2	1962	220	355,000
35	33	**Ralph & Kacoo's** New Orleans, La. James R.(Ralph) & Catherine (Kacoo) Olinde	7.1	1983	790	397,000
36	44	**Chinn's Crab House** Wheeling, Ill. Robert Chinn & Marilyn Chinn	7.0	1983	425	390,828
37	29	**The Lobster House** Cape May, N.J. Wallace Laudeman	7.0	1940	280	462,000
38	25	**Sardi's** New York, N.Y. S. Lichtenstein, I. Bloch, H. Klaris & L. Lowenthal	7.0	1921	350	350,000
39	57	**The Commissary** Philadelphia, Pa. Steven Poses	7.0**	1977	100	720,000
40	31	**Longhi's** Lahaina, Hawaii Robert & Peter Longhi	6.9	1976	220	365,000
41	27	**Gibby's Steaks and Seafood** Fort Lauderdale, Fla. Donald, Steven & Eric Hersh	6.8	1978	600	400,000
42	36	**Leona's** Chicago, Ill. The Toia Family	6.8	1950	400	920,000
43	—	**The Old Ebbitt Grill** Washington, D.C. Stuart Davidson & John Laytham	6.8	1856	350	400,000
44	52	**The Union Oyster House** Boston, Mass. Joseph, Mary Ann & Mary Milano	6.8**	1826	620	550,000
45	28	**The Cliff House** San Francisco, Calif. Dan, Mary & John Hountalas	6.8*	1850	301	340,000
46	41	**Mike Fink** Covington, Ky. Benjamin L. Bernstein	6.6	1968	410	261,500
47	—	**John Dominis Restaurant** Honolulu, Hawaii D.G. Anderson	6.5	1979	370	141,304
48	48	**The Angus Barn** Raleigh, N.C. Thad & Alice Eure	6.2	1960	550	221,360
49	34	**15th Street Fisheries** Fort Lauderdale, Fla. Michael Hurst	6.2	1979	250	196,446
50	39	**Rustic Inn Crabhouse** Fort Lauderdale, Fla. Henry J. Oreal, Wayne McDonald & Wayne Oreal	6.2	1956	525	328,000

THE TOP 100

Rank	'87 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
51	40	**The Omega Pancake House** Niles, Ill. George Stavropoulos & Partners	$6.1MM	1984	400	1,000,000
52	49	**The Pacific Dining Car** Los Angeles, Calif. Wesley A. Idol II	6.1	1921	185	255,600
53	35	**Kowloon** Saugus, Mass. William & Madeline Wong	6.0	1960	1,200	1,095,000*
54	46	**Twin Oaks** Cranston, R.I. William De Angelus Jr.	6.0	1933	550	518,150
55	62	**Bern's Steak House** Tampa, Fla. Bern & Gert Laxer	6.0**	1956	320	200,000
56	66	**Stars** San Francisco, Calif. Jeremiah Tower	6.0**	1984	150	125,000
57	37	**Joe Muer's Restaurant** Detroit, Mich. Joe, Thomas & William Muer	6.0*	1929	420	290,000*
58	30	**Junior's Restaurant** West Los Angeles, Calif. Marvin & Bette Saul	5.9	1959	238	728,000
59	—	**Shorebird Beach Broiler** Honolulu, Hawaii John R. McManus	5.8	1978	400	360,000
60	43	**Tangier Restaurant** Akron, Ohio Edward J. George	5.8	1954	1,800	200,000
61	50	**The Chateau Restaurant** Waltham, Mass. Louis J. Nocera & Marianne Skerry	5.6	1953	800	700,000
62	—	**The Quilted Giraffe** New York, N.Y. Barry & Susan Wine	5.6	1975	85	46,000
63	55	**Scott's Jack London Seafood** Oakland, Calif. M. Stroud, M. Newman & R. Gallagher	5.6	1984	450	225,000
64	56	**Barrett's on Boston Harbor** Boston, Mass. Frank Barrett, Richard Barrett & Mary Costello	5.5	1985	225	260,000
65	77	**Harris Ranch** Coalinga, Calif. John C. Harris	5.5	1977	535	646,074
66	47	**O'Shea's Wharf** Marco Island, Fla. Thomas & Dolores Shea	5.5	1976	650	325,000
67	45	**The Ritz** Newport Beach, Calif. Hans & Charlene Prager	5.5	1977	250	150,000
68	—	**Clifton's Brookdale Cafeteria** Los Angeles, Calif. Donald H. Clinton & Jean C. Roeschlaub	5.4	1934	737	1,518,352
69	58	**Pal's Cabin** West Orange, N.J. W. Donald Horn & Family	5.3	1932	400	500,000
70	—	**DiMillo's Floating Restaurant** Portland, Maine Tony DiMillo	5.2	1954	800	330,000*
71	53	**Knicker's** Des Plaines, Ill. Nicholas Mitchell	5.2	1982	1,250	331,850
72	—	**Tobacco Company Restaurant** Richmond, Va. Dr. Jerald D. Cable	5.2	1977	220	235,000
73	63	**Bishop's Restaurant** Lawrence, Mass. Victoria, Charles, Abraham & Joseph Bashara	5.1	1949	530	300,000
74	69	**Café des Artistes** New York, N.Y. George Lang	5.1	1915	107	130,000
75	54	**The Nut Tree** Nut Tree, Calif. Edwin Power, Robert Power & Mary Helen Fairchild	5.0	1921	379	675,000

* *R&I* estimate ** owner estimate † open only seven months ©1988 *Restaurants & Institutions*, a Cahners publication

&RESTAURANTS INSTITUTIONS

Rank	'87 rank	Restaurant/city/owner	Sales	Opened	Seats	People served/year
76	68	**Carson's, The Place for Ribs** Chicago, Ill. (Wells St.) The Carson Family	$5.0MM	1978	170	275,000
77	72	**Joe's Pier 52** New York, N.Y. Jane Smith & Cynthia Kipness	5.0	1967	185	148,000
78	—	**The Melrose Diner** Philadelphia, Pa. Richard W. Kubach & Richard Kubach Jr.	5.0	1935	106	1,089,000
79	59	**The Rattlesnake Club** Denver, Colo. Michael McCarty & Jimmy Schmidt	5.0	1985	500	180,000
80	60	**Spago** West Hollywood, Calif. Wolfgang Puck & Barbara Lazaroff	5.0	1982	160	126,500
81	61	**Christ Cella** New York, N.Y. Richard T. Cella	5.0*	1926	290	130,000
82	—	**Figlio** Minneapolis, Minn. P. Roberts, G. Jones, D. Hays & P. Mihajlov	4.9	1984	220	373,625
83	98	**Gotham Bar & Grill** New York, N.Y. J. Kretchmer, R. Rathe, R. Rathe & J. Bliss	4.9	1984	140	105,500
84	74	**The Pirate's House** Savannah, Ga. Sander Hollander	4.9	1953	429	275,000
85	—	**Chez Josef** Agawam, Mass. Allan Skole	4.8	1969	1,400	167,200
86	90	**Christo's Restaurant** Brockton, Mass. Chris G. Tsaganis	4.8	1964	550	612,000
87	96	**F. McLintock's** Shell Beach, Calif. Bruce Breault & Tunny Ortali	4.8	1973	350	324,442
88	75	**Warehouse Restaurant** Marina del Rey, Calif. Burt Hixson	4.8	1967	400	225,000
89	—	**Bay Tower Room** Boston, Mass. Bay Tower Inc.	4.8**	1978	360	117,522
90	65	**Sea Watch Restaurant** Fort Lauderdale, Fla. James Edmondson	4.8**	1973	250	300,000
91	—	**Le Bernardin** New York, N.Y. Gilbert & Maguy LeCoze	4.8*	1986	120	92,400*
92	64	**Maxwell's Plum** San Francisco, Calif. Maxwell's International Inc.	4.7	1981	600	191,076
93	67	**Pittypat's Porch** Atlanta, Ga. Tony & Stanya Anthony	4.7	1967	300	190,000
94	81	**Seafood Shack Restaurant** Cortez, Fla. Ham Jones	4.7	1972	700	360,000
95	—	**Trail Dust Steak House** Dallas, Texas The Parker Family & Roger Pock	4.7	1977	600	371,600
96	76	**Dominique's** Washington, D.C. Dominique D'Ermo, Henry Prati & Sandra Servator	4.6	1974	200	185,000
97	70	**The Smoke House** Burbank, Calif. Lee Spencer & Pat Heaney	4.6	1946	439	361,721
98	78	**Weber's Restaurant** Ann Arbor, Mich. Herman E. Weber	4.6	1937	350	225,419
99	—	**Jesse's Landing** Seminole, Fla. Richard Johnson, Kelley Johnson & Dan Simmons	4.5	1986	415	449,265
100	73	**Pilgreen's** Morrow, Ga. Rip & Geneva Gold	4.5	1983	500	280,000**

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THE TOP 100

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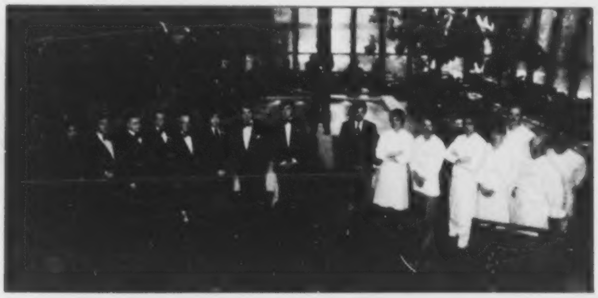
INDEPENDENT FACES AND PLACES

FISHFUL THINKING
When Gilbert LeCoze was a boy in Brittany, he fished on his grandfather's trawler and spent summers working in the family's restaurant. Today, he and his sister Maguy run the four-star Le Bernardin, an elegant seafood restaurant in Manhattan's Equitable Center. With just 120 seats, the LeCozes have received as many as 1,500 reservation requests in one day; for a table on Saturday, plan to wait a month.

NOT-SO-AVERAGE CHECKS
The Rascal House has one of the lowest dinner check averages ($5.65), while The Four Seasons has one of the highest—upwards of $80. The Rascal House serves more people in a day than The Four Seasons does in a week.



WOLFIE COHEN'S
RASCAL HOUSE
RESTAURANT
SANDWICH SHOP
COCKTAILS
TEAMWORK IS GREAT
YOU KNOW THAT
SOMEONE IS ON
YOUR SIDE

GIRAFFE MIGRATION △
In July 1987, Barry and Susan Wine closed the doors of their Second Avenue restaurant and moved the four-star Quilted Giraffe into the site previously occupied by their *other* restaurant, the Casual Quilted Giraffe. The Wines also added lunch (four days a week), dinner on Saturday and 25 seats, increasing sales from less than $3 million in 1986 to $5.6 million this year.

FACTS & FIGURES
Tangier is the largest independent with seats for 1,800; The Quilted Giraffe, the smallest, with seats for just 85. The Hilltop serves approximately 2.35 million people a year, while The Quilted Giraffe serves just 46,000. The Hilltop's retail store does an estimated $19.5 million in sales!

WASHINGTON ATE HERE
The Union Oyster House is the oldest independent: It opened in Boston under the name Atwood & Bacon in 1826. The Cliff House first opened in San Francisco in 1850. Zehnders of Frankenmuth opened in 1856, as did the Old Ebbitt Grill, which is generally considered Washington, D.C.'s oldest saloon.

OLD EBBITT GRILL

RESTAURANTS & INSTITUTIONS

HAIL COLUMBIA!

When Casimiro Hernandez Sr. opened the Columbia restaurant in Tampa, Fla., in 1905 it had just 60 seats; today it has 1,600 and is the largest Spanish restaurant in the world. The family empire is now run by Casimiro's granddaughter Adela Gonzmart and her husband Cesar (pictured), and their sons Richard and Casey. Last month, the Gonzmarts opened two new concepts in Tampa—Columbia Express and Cha Cha Coconuts; in June, they will open 45,000 square feet of restaurant and bar space on The Pier in St. Petersburg, Fla. Orlando is next—they'll open there in 1989. The goal? "Thirty restaurants within five years," Richard reports.

MELROSE
DINER

DAYS OF NO WINE AND MELROSE

Open seven days a week, 24 hours a day, the Melrose Diner has been a Philadelphia institution for more than 53 years. Offering high-quality food at reasonable prices, owners Richard W. Kubach and Richard Kubach Jr. serve an average of 3,000 people a day. The Melrose serves no liquor and yet sales total $5 million.

PROUD NEW DADDY'S

Thad Eure Jr.—of The Angus Barn—and his partner John Vick have opened their third Fat Daddy's Market and Grill, this one in Fayetteville, N.C. Fat Daddy's is a self-service burger and salad bar concept. Other Top Independents who have moved into the quick-service segment: the Wongs of Kowloon and Ted Gregory of the Montgomery Inn.

Fat Daddy's
Fat Daddy's

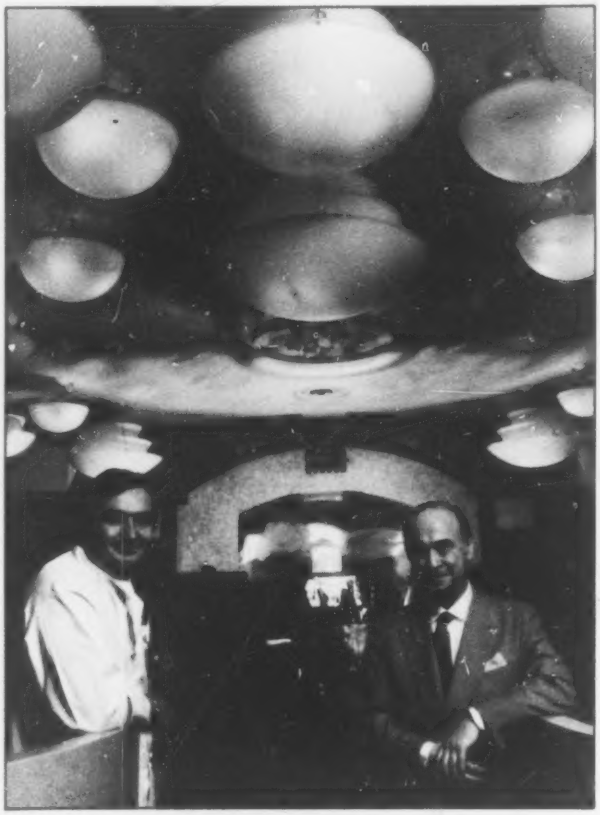
LOCATION, LOCATION, LOCATION

Perched at the 500-foot level of Seattle's most famous landmark, the Space Needle Restaurant revolves once every hour offering patrons spectacular views of Puget Sound and the Cascade Mountains. Two other great locations: Mike Fink and DiMillo's, both located on permanently moored boats.

LUCKY STARS

For someone who never really wanted to be a chef (he has a master's degree in architecture from Harvard), Jeremiah Tower has done just fine. In December, he unveiled Stars' new room for private parties and he plans to continue expanding, adding a cafe and store for retail and takeout.

THE TOP 100



Chef Gerard Pangaud and co-owner Joe Baum at Aurora

TWENTY-FIVE TOP CONTENDERS

Who just missed this year's cutoff of $4.5 million? Here are the 25 restaurants that would have come next. Last year's rank appears in parentheses where applicable.

101. Nick's Fishmarket, Chicago, $4.49
102. Castagnola's, San Francisco, $4.45
103. The Hampshire House, Boston, $4.41 (#87)
104. Cricket's, Chicago, $4.40 (#79)
105. Tony's, Houston, $4.40 (#51)
106. Phillipe, The Original, Los Angeles, $4.38
107. Arne's Fine Seafood, Boston, $4.35 (#92)
108. Atchafalaya Cafe, Houston, $4.30**
109. The Coach and Six, Atlanta, $4.25** (#82)
110. Arni's, Lafayette, Ind., $4.20
111. Fraunces Tavern, New York, $4.20 (#86)
112. The Ginger Man, New York, $4.15
113. Las Casuelas Terazza, Palm Springs, Calif., $4.10 (#99)
114. Aurora, New York, $4.10** (#84)
115. Casa Rillo, Camp Hill, Pa., $4.08
116. Harpoon Hannas, Fenwick Island, Del., $4.07
117. Dan'l Webster Inn, Sandwich, Mass., $4.06 (#91)
118. London Chop House, Detroit, $4.03 (#85)
119. Bookbinder's Seafood House, Philadelphia, $4.0 (#88)
120. The Down Under, Fort Lauderdale, Fla., $4.0 (#97)
121. El Cholo, Los Angeles, $4.0 (#89)
122. Union Square Cafe, New York, $4.0
123. Lutece, New York, $4.0*
124. Grady's Goodtimes, Knoxville, Tenn., $3.97
125. The Waterfront, San Francisco, $3.95

* *R&I* estimate ** owner estimate

MULTIPLICATION TABLES

When asked if they had plans to open additional restaurants, more than one-fourth of all the Top Independents said yes.

On the East Coast, the **Athanas Family** (Anthony's Pier 4) has begun a major development on Boston's waterfront. The $1.1 billion project will include commercial, residential and office space, as well as a public marina and two hotels . . . **Michael O'Keeffe** (The Water Club) will open a restaurant called LauraBelle in New York sometime this month . . . **Alan Stillman** (Smith & Wollensky) will open another restaurant in New York late this year, most likely a high-end steakhouse . . . **John and Albert Taxin** (Old Original Bookbinders) will open a 285-seat restaurant in **Donald Trump's** Taj Mahal Casino complex in Atlantic City, N.J., this fall.

Stillman

Schmidt

In the South, **Aaron Fodiman** and **Murray Steinfeld** will open a Kapok Tree in Nashville, Tenn., in April 1989. This will be their first restaurant outside of Florida . . . **Thad** and **Alice Eure** (The Angus Barn) will open a Fat Daddy's Market and Grill in Greensboro, N.C., and another in Greenville, N.C. . . . **Richard Johnson, Kelley Johnson** and **Dan Simmons,** who own and operate Jesse's Landing, will open a restaurant in Dunedin, Fla., this month.

In the West, **Peter Morton** will open a Hard Rock Cafe in San Diego in late summer, and another in Sydney, Australia, in fall . . . **John McManus** (Shorebird Beach Broiler) will open two restaurants in Honolulu this year . . . **Jimmy Schmidt** and **Michael McCarty** will open a Rattlesnake Club in Detroit in May . . . **Ralph** and **Kacoo Olinde** will open in Dallas in April.

In the Midwest, **Ted Gregory** (Montgomery Inn-Ribs King) will open a restaurant on the river in Cincinnati in June . . . **Benjamin Bernstein** (Mike Fink) will open a restaurant in Cincinnati this summer and one in Covington, Ky., next summer . . . **Nicholas Mitchell** (Knicker's) says he plans to open a restaurant in downtown Chicago sometime this year . . . **Herman Berghoff** (The Berghoff) and his family are busy trying to find the right location for a small Chicago brewpub.

Morton

Berghoff

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THE TOP 100

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HILLTOP
STEAK HOUSE
Frank Giuffrida

KING OF THE HILL

This is the fifth year that *R&I* has ranked America's largest restaurants and the fifth year that the Hilltop Steak House came in first.

1988

1. The Hilltop Steak House
2. Tavern on the Green
3. Phillips Harborplace
4. Anthony's Pier 4
5. Smith & Wollensky

1987

1. The Hilltop Steak House
2. Tavern on the Green
3. Phillips Harborplace
4. Anthony's Pier 4
5. Smith & Wollensky

1986

1. The Hilltop Steak House
2. Tavern on the Green
3. Phillips Harborplace
4. Anthony's Pier 4
5. Smith & Wollensky

1985

1. The Hilltop Steak House
2. Tavern on the Green
3. Anthony's Pier 4
4. Spenger's Fish Grotto
5. Phillips Harborplace

1984

1. The Hilltop Steak House
2. Tavern on the Green
3. The '21' Club
4. Spenger's Fish Grotto
5. The Manor

SECRETS OF SUCCESS

To what do our Top Independents attribute their success? We asked, and this is what they told us:

Herman Berghoff, The Berghoff: "Keeping the best of the old traditions while adding the new."

Bruce Breault, F. McLintock's: " . . . We have tenaciously clung to the idea of serving each customer as if he were our only customer."

Tony DiMillo Sr., DiMillo's Floating Restaurant: "I worked my tail off for 30 years, day and night. Now my five sons don't have to put in long hours in this very hard business."

Charles Doulos, Jimmy's Harborside: "A standard of excellence in quality, service and consistency, a friendly ambiance, employee loyalty, lots of regular customers and terrific food."

Frank Giuffrida, The Hilltop Steak House: "Consistency, quality, quantity and service, all at affordable prices."

Marilyn Glennon, Christo's: "Owner Chris Tsaganis works seven days and nights a week . . . "

Arthur Goodman, The Rascal House: "We're family-owned . . . and constantly family-supervised . . . "

Ted Gregory, Montgomery Inn-Ribs King: "Quality control, large portions, quick service. You might wait one to two hours, but as soon as you're seated, food starts appearing in seconds. Plus, we have the greatest ribs anywhere."

W. Donald Horn, Pal's Cabin: "Family supervision at all times, quality foods only, friendly atmosphere, well-trained and supervised employees."

Bern Laxer, Bern's Steak House: "We try to bring people back, whatever it takes . . . "

Stuart Lichtenstein, Sardi's: "Tradition, tradition, tradition. Location, location, location."

Bob Longhi, Longhi's: "We have the freshest, best ingredients from all over the world, such as fresh asparagus and raspberries 12 months a year. Our people are trained to treat the customer the way they want to be treated. Our goal is to be the best restaurant in the world, and Maui is the best spot in the world."

Joseph Milano, The Union Oyster House: " . . . All our customers are VIPS . . . "

Jim Rittenberg, Ditka's: Location, promotion, name recognition and quality. Our food is good, our service is good, and we get lots of players and celebrities in here, and that's a big attraction."

Bob Longhi, Longhi's

JoAnn Sawitz, Joe's Stone Crab: "We run this restaurant as a family. No employee is asked to do a job that family would not do, from peeling shrimp to cleaning bathrooms. There is a definite camaraderie here, a family feeling. We care about each other as people."

Allan Skole, Chez Josef: "Consistency, attention to small details, excellent food, good service and beautiful amenities."

Faith Stewart-Gordon, The Russian Tea Room: "Luck and patience."

Barry Wine, The Quilted Giraffe: "Hard work, and the team effort of our staff."

Edwin Zehnder, Zehnder's of Frankenmuth: "Having good financial control, quality food, fair prices and being family-operated."

William F. Zehnder, Frankenmuth Bavarian Inn: "A family commitment to quality. We're progressive, willing to take a chance . . . "

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Charles Doulos, Jimmy's Harborside

THE TOP 100

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LAST YEAR'S GREAT EXPECTATIONS

Last year, we ran a list of new restaurants expected to make our list this year. Here is a brief rundown of those restaurants and what happened to them in 1987.

Jesse's Landing, Seminole, Fla. Opened in March 1986, Jesse's Landing did $4.5 million in sales this year, making it No. 99 on our list. Located in a large Victorian home on a bayou, the restaurant specializes in fresh seafood dishes such as blackened grouper and chargrilled snapper.

Ralph & Kacoo's, Baton Rouge, La. Owners Ralph and Kacoo Olinde predicted that their newest restaurant, opened in June 1986, would do $6.5 million in sales its first year. The restaurant had an extremely successful 12 months, and sales totaled $6.3 million, just slightly less than the largest Ralph & Kacoo's unit located in New Orleans.

Le Bernardin, New York. An intimate, 120-seat restaurant opened in January 1986, Le Bernardin is now considered by many to be the city's finest spot for seafood. Brother and sister Gilbert and Maguy LeCoze run the restaurant together, serving a *prix-fixe* lunch ($35) and dinner ($60) to an average of 300 people a day. *R&I* estimated Le Bernardin's 1987 sales at $4.8 million, making it No. 91 on the list.

Potomac - on - the - River, Washington, D.C. Potomac's owner Warner LeRoy predicted first-year sales of more than $10 million at his opulent new restaurant on the edge of Georgetown, and the restaurant did in fact come close to that goal, achieving first-year sales of just under $10 million. Just 15 months after Potomac opened, however, LeRoy filed for bankruptcy protection under Chapter 11 and closed the restaurant due to what a company spokesman calls "an unworkable relationship with the landlord stemming from overcharges and unfulfilled commitments."

Jesse's Landing

The Cadillac Bar, New York. Opened in July 1986 by Ken Newman, along with Gregg and Carol Wallace, the Cadillac was expected to gross more than $5 million its first year. Traffic has slowed considerably since Year No. 1, when the restaurant was serving an average of 600 people a day, but the Cadillac nevertheless reported 1987 sales of $3.8 million. In December 1987, Newman bought out his partners and is now the sole owner of the three Cadillac Bars—New York, Houston and Dallas.

Twenty-Twenty, New York. Since opening in June 1986, this restaurant and nightclub, owned by the musical duo Ashford and Simpson, has undergone a number of major changes: new staff, new chef, new menu and a new partner, Brad Johnson. Sales totaled just less than $3 million this year.

GREAT EXPECTATIONS

Below is a list of some restaurants opened since Jan. 1, 1987, that are likely to make our list next year.

Atchafalaya Cafe, Addison and Arlington, Texas. Richard Tannenbaum has taken his successful Cajun-Creole concept out of Houston (where sales were an estimated $4.3 million this year) and moved into the Dallas market with two suburban restaurants. The Addison unit, opened in May 1987, is projecting first-year sales of $5 million to $5.5 million. The Arlington unit, opened in December 1987, is projecting first-year sales of $4.5 million. Next, Tannenbaum hopes to expand outside of Texas.

Bice

Bellini by Cipriani, New York. Arrigo Cipriani, whose family owns Harry's Bar in Venice, opened this new restaurant in the theater district in June 1987. With lunch checks averaging $45 and dinner checks $55, the owner is predicting first-year sales of $6.5 million.

Bice, New York. The New York outpost of this fashionable Milan restaurant has been the toast of the town since its July 12 opening, serving an average of 200 lunches and 400 dinners a day. With lunch checks averaging $35 and dinner checks $45, owner Roberto Ruggeri is projecting first-year sales of $8 million to $10 million

Il Palazzo, New York. Brothers Arnold and Bruce Zimberg are projecting first-year sales of more than $5 million at their 200-seat Italian restaurant opened in April 1987.

Shooter's on the Water, Cleveland. Opened in June 1987, Shooter's achieved $6 million in sales its first six months! With inside seating for 450 and room for another 180 outside, the Shooter's concept of casual dining on the water has been a hit in Florida and is every bit as successful up north. In summer, Shooter's caters heavily to pleasure boaters, who take advantage of 550 feet of dock space, and sun lovers, who come to eat and drink by Shooter's 20-by-20-foot pool. Management is projecting first-year sales of $11 million to $12 million.

Il Palazzo

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THE TOP 100

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STRENGTH IN NUMBERS

Many Top Independents own and operate more than one successful concept. Below are some that have three or more restaurants in addition to the one listed in our ranking. An approximate sales figure (in millions) is included where available.

Anthony Athanas and Family
Anthony's Hawthorne, Lynn, Mass.
Hawthorne by the Sea,
Swampscott, Mass.
General Glover House,
Marblehead, Mass.
Anthony's Cummaquid,
Yarmouthport, Mass.

Al Scoma
Scoma's, Sausalito, Calif., $1.6
Scoma's, Larkspur, Calif., $1.4
Scoma's of San Francisco,
Palm Springs, Calif., $1.5

Michael O'Keeffe
The River Cafe, Brooklyn, N.Y., $5.0
Cafe at Grand Central,
New York, $1.2
Bowden Square, Southampton,
N.Y., $.7

Peter Morton
Hard Rock Cafe, Honolulu, $9.8**
Hard Rock Cafe, Los Angeles, $9.4
Hard Rock Cafe, San Francisco, $9.3
Hard Rock Cafe, Houston, $5.1
Hard Rock Cafe, New Orleans, $6.5**
Morton's, Los Angeles, $1.9

The Berkowitz Family
Legal Sea Foods, Boston
(Park Plaza I), $8.6
Legal Sea Foods,
Cambridge, Mass., $8.5
Legal Sea Foods,
Burlington, Mass., $5.2
Legal Sea Foods,
Woucester, Mass., $4.0
Legal Sea Foods, Boston
(Park Plaza II), $3.8
Legal Sea Foods, Boston
(Chestnut Hill), $3.5
Legal Sea Foods, Logan Airport,
Boston, $0.8
Legal Lobster (wholesale) Allston,
Mass., $5.7**
Legal Sea Foods Market (retail)
Allston, Mass., $0.55

Marc, George and Roger Berkowitz

R. Moreau, A. Lahaye, M. Burge & R. Maranda
Shooter's, Cleveland, $9-$10**
Shooter's, Miami, $8.0
Shooter's, Boynton Beach, Fla., $6.0
Bootlegger's, Fort Lauderdale, Fla.

Cesar Gonzmart & Family
Columbia, Sarasota, Fla., $7.3
Columbia, St. Augustine, Fla., $3.6
Columbia, Tampa, Fla., $1.6
Columbia Express, Tampa, Fla.

Ralph & Kacoo Olinde
Ralph & Kacoo's (Bluebonnet)
Baton Rouge, La., $6.3
Ralph & Kacoo's, Bossier City,
La., $3.7
Ralph & Kacoo's, Baton Rouge,
La., $3.3
Ralph & Kacoo's, Metairie,
La., $3.3

Thad and Alice Eure
42nd St. Oyster Bar,
Raleigh, N.C., $3.6**
Fat Daddy's, Raleigh, N.C., $2.0
Fat Daddy's, Raleigh, N.C., $1.7
Fat Daddy's, Fayetteville, N.C., $1.6**

William and Madeline Wong
Maui Restaurant, Brockton,
Mass., $1.8
Wong's Fast Food, Burlington,
Mass., $0.6
Wong's Fast Food, Danvers, Mass.,
$0.6
Wong's Fast Food, Boston

P. Roberts, G. Jones, D. Hays and P. Mihajlov
The Good Earth (3 Minneapolis
locations) $1.6 each
Pronto Ristorante, Minneapolis, $2.0
Blue Point Fresh Seafood, Wayzata,
Minn., $2.0
Muffuletta, St. Paul, Minn., $1.0
Palm Court Deli, Edina, Minn., $1.0

Donald Clinton & Jean Roeschlaub
Clifton's Greenery, West Covina,
Calif., $1.9
Clifton's, Lakewood, Calif., $2.1
Clifton's, Laguna Hills, Calif., $1.3
Clifton's, Whittier, Calif., $1.3
Clifton's Silver Spoon,
Los Angeles, $1.2

Thad Eure

John R. McManus
John Richards, Honolulu, $1.3
Pieces of Eight, Honolulu, $1.7
Lewers St. Annex, Honolulu, $1.0
Lewers St. Fish Co., Honolulu, $1.5**

Frank & Richard Barrett; Mary Costello
Edmund Fitzgerald, Quincy,
Mass., $4.0
The Whitman, Farmington,
Conn., $3.0
Teels Cabin, Abington, Mass., $2.5
The New Gazelle, Quincy, Mass., $2.0
Charlie Horse, Kingston, Mass., $1.5
Amelia's, Quincy, Mass., $1.2

Malcolm Stroud & Martin Newman
Scott's Embarcadero Center,
San Francisco, $4.3
Scott's Lombard, San Francisco, $3.4
Scott's, Palo Alto, Calif., $2.3
Scott's Carriage House,
San Francisco, $1.6
Scott's, San Jose, Calif., $2.3

Stuart Davidson & John Laytham
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Va., $5.7
The 1789, The Tombs, F. Scott's,
Washington, D.C., $5.7
Clyde's of Georgetown, Washington,
D.C., $3.9
Clyde's, Columbia, Md., $3.7

R. Pock, N. Parker II, N. Parker III, D. Parker, D. Parker, N. Parker Mark
Trail Dust, Mesquite, Texas
Trail Dust, Aubrey, Texas
Trail Dust, South Denver, Colo.
Trail Dust, North Denver, Colo.

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THE TOP 100

continued from page 72

A GOLDEN ANNIVERSARY

In 1987, Herman Weber celebrated an important anniversary—50 years in the restaurant business.

In 1937, at the age of 22, he and his brother leased an Ann Arbor, Mich., gas station for $40 a month and were allowed to open a small restaurant there as long as they agreed to keep pumping Hi-Speed gas. The Hi-Speed Inn consisted of a single room with 40 seats, a grill and a jukebox,—"that helped pay the rent"—and a hand-lettered menu that read "Hamburgers—15 cents. 12 oz. of Fresh Beer—10 cents."

Two more restaurants followed—one of them a cinderblock building just 32 feet by 40 feet—before Weber built at his present location in 1963. Today, he, his wife Sonja and their children Kenneth Weber and Linda Weber Fox run the family business, which consists of the 350-seat Weber's Restaurant and a 160-room luxury hotel called Weber's Inn, which was added in 1969.

Herman Weber

ALL IN A YEAR'S WORK

Husband and wife Wolfgang Puck and Barbara Lazaroff have had a busy year since they appeared on the cover of last year's Top Independents issue (*R&I* 3/4/87). In addition to running their two restaurants, Spago and Chinois-on-Main, they:

- organized and sponsored the Fifth Annual American Wine and Food Festival to benefit the Los Angeles chapters of Meals on Wheels. This year's event featured 15 chefs and 45 wine makers, and was held at Universal Studios. More than 1,100 people paid $150 each to attend.
- released a 63-minute, $29.98 video called "Spago: Cooking with Wolfgang Puck." Lazaroff designed the sets and wrote all the scripts; *People* magazine praised the video, proclaiming that "just *watching* Wolfgang can be delicious."
- rolled out a line of frozen pizzas for retail sale under the label Spago's Original California Pizza. There are three varieties: Four Cheese, Spicy Chicken, and Sausage with Herbs.
- added three more varieties to the Wolfgang Puck Presents line of frozen desserts: Strawberry Truffles, Triple Chocolate Mousse and Mini Apple Tarts.

Puck also has been busy working on a casual brewery and restaurant concept that will open in West Los Angeles sometime this year. (He is a partner but won't be actively involved.) And the next Lazaroff-Puck collaboration? "A baby," Barbara reports.

Puck and Lazaroff

ON THE COVER

Ralph and Kacoo Olinde were childhood friends in New Roads, La., and they opened their first restaurant in 1969. Today they have five units in Louisiana, with combined sales of $24 million, and another unit opening in Dallas next month. They live in Baton Rouge, La., and also own a working ranch in Mississippi. The Olindes have two daughters, one of whom does all the company's in-house artwork. Kacoo's nickname was bestowed upon her by a young niece who could not pronounce "Catherine."

The Olindes have built their reputation on high-quality Cajun-style seafood, reasonable prices and gracious service. "We wait to move into new markets until we're sure we're ready," Kacoo says, "and we spend an enormous amount of time and effort on food quality. If we weren't proud of it, we wouldn't serve it. Another thing we do is show lots of care and concern for the restaurants and for the people who work with us."

The Olindes

Faith Stewart-Gordon

A WOMAN'S PLACE IS . . .

Among the Top Independents there are two women who own and operate restaurants alone, without husbands, without partners.

Faith Stewart-Gordon inherited The Russian Tea Room when her husband passed away in 1967 and has actively managed it since. Her daughter joined the business early this year. She says she has been tempted to sell at many times, but resisted because "it was always a challenge and I couldn't stand the idea of admitting defeat. And this restaurant has always been a great comfort to me."

JoAnn Sawitz's grandfather opened Joe's Stone Crab in 1913. She was raised in an apartment above the restaurant and began working at age 11. Today her children Stephen Sawitz and Jodi Hershey work with her. Do employees treat Sawitz differenty because she's female? "People treat me not as a boss but as a friend," she replies. "That's how I want it to be, and that's how my father was before me." R&I

ACTION EXPRESS

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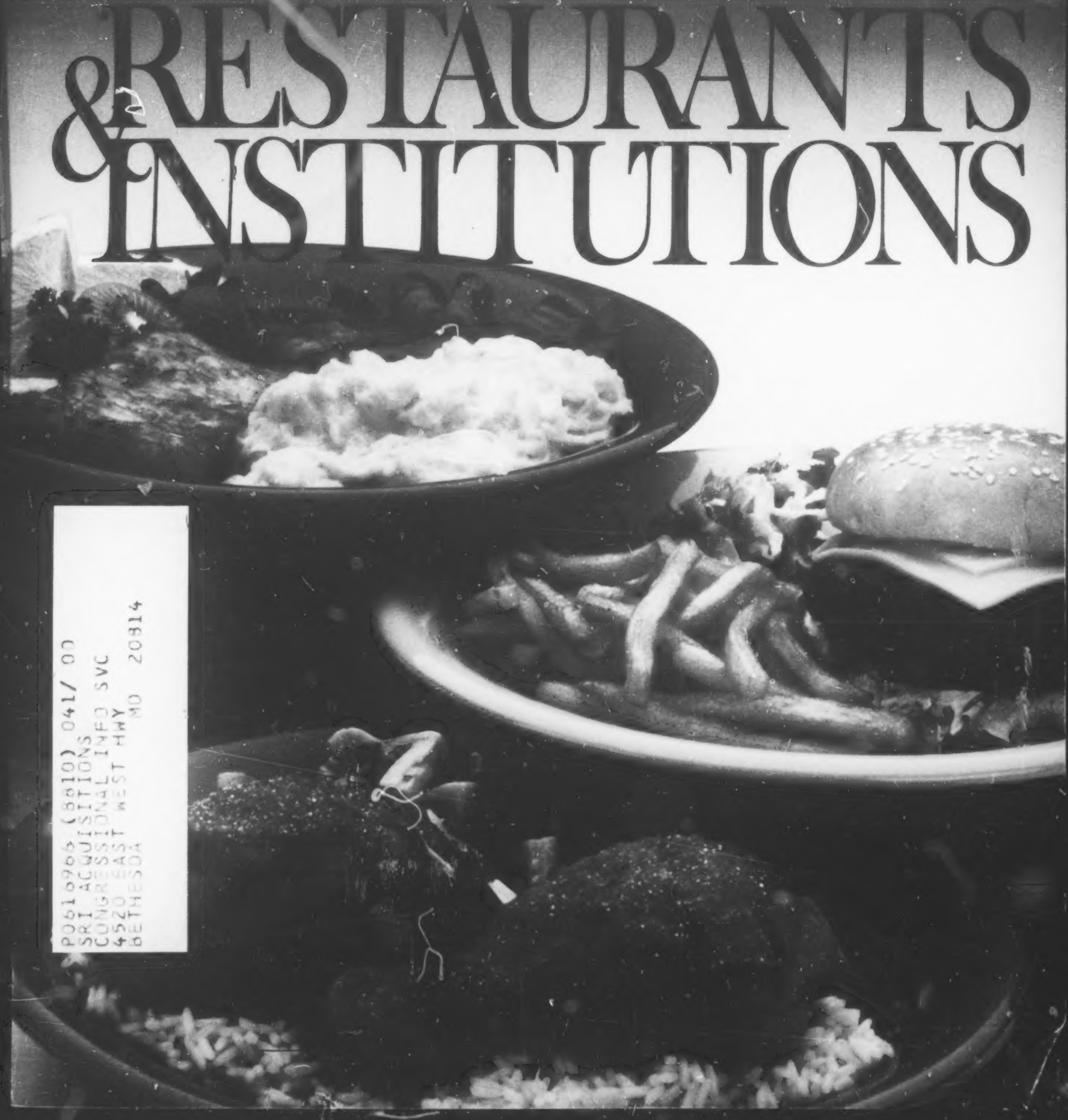

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R&I EXCLUSIVE

■ FOOD TRENDS

1988 MENU CENSUS

TOP MENU ITEMS

The charts at right show the top menu items mentioned overall in this year's survey for breakfast, lunch and dinner meal periods. The numbers indicate the percentage of operators surveyed who offer the item on their menus.

By Nancy Backas

Culinary soothsayers love to talk about the newest foods on the horizon, until it seems that the trendiest foods have taken over the menu. The 1988 *R&I* "Menu Census" brings us back down to earth. Scrambled eggs and bacon for breakfast, cheeseburgers, fries and coleslaw for lunch, and fried chicken, green beans and rice for dinner are the menu elements that have been the backbone of foodservice for years. They are still the menu items foodservice operators put on their menus most often. American palates have not changed that much.

The *R&I* "Menu Census" asked respondents what time of day items appear on the menu, making it possible to report what operations serve at different meal periods. The survey is divided into breakfast, lunch and dinner sections; the top five menu items are listed for each type of foodservice operation.

This year commercial and institutional operations were divided into more specific segments allowing a close-up view of who serves what. Commercial restaurants have been divided into fine dining, casual/theme, family/steakhouse, cafeteria, fast food and hotel/motel segments. Hospital/nursing home, college/university, school and employee feeding make up the institutional subcategories.

In the sample of nearly 2,000 respondents, 51% serve breakfast, 90% serve lunch and 75% serve dinner. Brunch is served by only 10% of the operations overall, although more than a third of hotel/motel operations and colleges serve brunch. Twenty-four-hour operations seem to be on the wane; just four years ago, 6% of the operations surveyed were open all day; the most recent survey reports only 4.5%.

There are a few surprises in this year's survey. Relative newcomers to menus, such as chicken nuggets and baked potatoes as entrees, have become popular enough in a short time to appear as top-mentioned items in several segments. Foods such as meat loaf, liver and stuffed peppers, which seem to have disappeared from the culinary dialogue in recent years, are still tops on institutional menus.

Steak, prime rib and hamburgers continue to dominate many commercial menus, but scallops and lobster edge out beef in fine-dining establishments.

Basic, stick-to-the-ribs dishes continue to be the mainstay of institutional menus. Meat loaf, beef stew, baked ham, lasagna and spaghetti dominate the menu. Colleges seem to be the only institutional segment trying trendy foods, such as croissants and baked potato entrees, and making them work.

The following pages offer a view of the most popular menu items served from the industry's most comprehensive menu trend survey, an invaluable menu planning guide.

1988 MENU CENSUS

BREAKFAST

What is America eating for breakfast? Operators report that bacon and eggs (specifically scrambled) are as strong on the menu as ever. Next in line are French toast and pancakes, with Danish coming in close behind. The *R&I* "Menu Census" backs up the notion that you can't lose when you bet on the basics.

Commercial restaurants report that omelets, poached eggs, ham and hash browns are also good breakfast bets. Hotels and motels offer the greatest variety of breakfast items. More than half the hotel operators serve melon, waffles, bagels, grapefruit halves, biscuits and gravy, and steak, and hotels are most likely to offer breakfast foods such as croissants, berries and eggs Benedict.

Top items in institutional operations include easy-to-serve dry cereals, doughnuts and English muffins. College foodservice operations successfully offer waffles, bagels and coffeecake, and they also are most likely to serve such healthful items as yogurt and granola. Hospital operators serve more raisin toast and prunes than any other segment.

Following is a list of highlights in breakfast service.

Southern specials: Biscuits and gravy most often are served at family restaurants, hotels and colleges. Another Southern standby, grits, is a favorite at colleges and also in employee-feeding operations and hotels.

Loving spoonfuls: Cooked cereals most often appear on hotel and hospital menus and least often on school menus. But dry cereals appear on more school menus than any other segment except hotels and hospitals.

French and flaky: Plain croissants are showing up most often on casual restaurant, hotel, college and employee-feeding menus. Croissant sandwiches are most popular in employee cafeterias and colleges and are least likely to be served in family restaurants and steakhouses.

[illegible]

TOTAL COMMERCIAL		**TOTAL INSTITUTIONAL**	
Bacon	76.6%	Dry cereals	72.3%
Scrambled eggs	76.1	Pancakes	66.8
Fried eggs	66.9	Scrambled eggs	66.4
Hash browns	66.9	Danish	66.0
Ham	65.2	Doughnuts, French toast	65.6
CASUAL/THEME		**HOSPITALS**	
Bacon	84.4%	Cereals	81.8%
Ham	84.4	Scrambled eggs	76.6
French toast	81.3	Bacon	71.4
Scrambled eggs	81.3	Pancakes	70.1
Poached eggs	78.1	French toast, Danish	68.8
FAMILY/STEAKHOUSE		**COLLEGES**	
Scrambled eggs	85.0%	French toast	87.8%
Bacon	80.0	Pancakes	87.8
Fried eggs	77.5	Fried eggs	85.7
Omelets	75.0	Scrambled eggs	85.7
French toast, pancakes	72.5	English muffin, Danish	83.7
FAST FOOD		**SCHOOLS**	
Bacon	61.9%	Dry cereals	60.7%
Scrambled eggs	57.1	Doughnuts	49.2
Danish	50.8	French toast	49.2
Hash browns	49.2	Pancakes	49.2
Fried eggs	44.4	Danish	47.5
HOTEL/MOTEL		**EMPLOYEE FEEDING**	
Ham	96.0%	Doughnuts	76.5%
Pancakes	96.0	Fried eggs	76.5
Scrambled eggs	96.0	English muffins	70.6
Bacon	92.0	Bacon	68.6
Omelets	92.0	Hash browns	68.6

1988 MENU CENSUS

LUNCH

"Doing lunch," whether it is at a fine-dining establishment, a fast-food restaurant or in the employee cafeteria, means a beef, ham, cheese or tuna sandwich, according to operators surveyed in this year's "Menu Census." Cheeseburgers top the list as the entree most often served, followed by ham and cheese sandwiches and grilled cheese. Tossed salads and coleslaw appeared on the majority of menus as salad side dishes.

The cheeseburger also takes top billing on every type of commercial restaurant menu except commercial cafeterias, where it is not even among the top five entrees. Gourmet hamburgers (quarter-pound or more) are served by almost half of the fine-dining restaurants surveyed; hamburgers less than a quarter-pound are on almost as many fast-food menus.

In the institutional segments, the comfort foods associated with childhood earn top billing. Hot dogs win out as the No. 1 lunch sandwich, especially popular in schools. Macaroni and cheese, ranked No. 3 overall, is the No. 1 hospital choice and is also near the top of the list at colleges.

Following is a list of additional notable highlights.

Where the kids are: Chicken nuggets, which have been on menus for less than a decade, have been adopted by school children in a big way, appearing on more than 85% of school menus. Hot dogs are the top dogs in schools; burgers with and without cheese and grilled cheese sandwiches follow close behind. Other top items on school menus include lasagna, spaghetti, pizza, tacos and chili.

It's academic: College dining halls serve more pizza, ravioli, quiche and grilled cheese sandwiches than any other segment. Potato salad, fruit salad and gelatin salads are prevalent side dishes, and noodles win out as the favorite starch. Baked potatoes and french fries, however, are the potatoes that appear most often.

TOP FIVE LUNCH CHOICES

TOTAL COMMERCIAL	
Cheeseburger	58.9%
Ham & cheese sand.	51.6
Ham sandwich	47.8
Grilled cheese	45.7
Bacon cheeseburger	45.1

FINE DINING	
Cheeseburger	46.5%
Gourmet hamburger	46.2
Bacon cheeseburger	39.5
Club sandwich	39.5
BLT	37.2

CASUAL/THEME	
Cheeseburger	64.4%
Ham & cheese sand.	57.5
Grilled cheese	55.2
Ham sandwich	55.2
Roast beef sandwich	55.2

FAMILY/STEAKHOUSE	
Cheeseburger	78.3%
Grilled cheese	71.0
BLT	63.8
Bacon cheeseburger	60.9
Ham sandwich	56.5

CAFETERIA	
Baked ham	81.8%
Beef stew	72.7
Stuffed peppers	72.7
Cod	59.1
Fried chicken	59.1

FAST FOOD	
Cheeseburger	49.3%
Ham & cheese sand.	47.0
Hamburger	47.0
Hot dog	44.1
Ham sandwich	40.9

HOTEL/MOTEL	
Cheeseburger	100.0%
Bacon cheeseburger	92.3
Ham & cheese	92.3
BLT	84.6
Corned beef sandwich	76.9

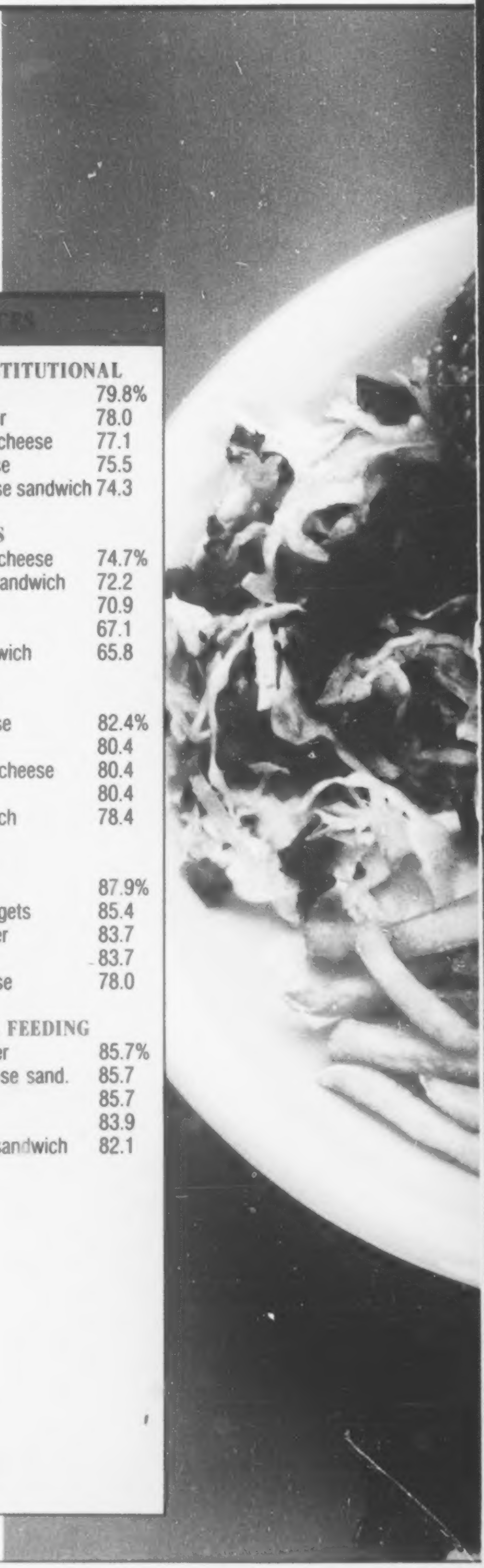
TOTAL INSTITUTIONAL	
Hot dog	79.8%
Cheeseburger	78.0
Macaroni & cheese	77.1
Grilled cheese	75.5
Ham & cheese sandwich	74.3

HOSPITALS	
Macaroni & cheese	74.7%
Tuna salad sandwich	72.2
Meat loaf	70.9
Chili	67.1
Turkey sandwich	65.8

COLLEGES	
Grilled cheese	82.4%
Chili	80.4
Macaroni & cheese	80.4
Pizza	80.4
Ham sandwich	78.4

SCHOOLS	
Hot dog	87.9%
Chicken nuggets	85.4
Cheeseburger	83.7
Hamburger	83.7
Grilled cheese	78.0

EMPLOYEE FEEDING	
Cheeseburger	85.7%
Ham & cheese sand.	85.7
Meat loaf	85.7
Hot dog	83.9
Tuna salad sandwich	82.1



1988 MENU CENSUS

DINNER

Dinner is the variety meal. While breakfast and lunch dishes vary little from segment to segment, when it comes to dinner, each segment has its own niche. The one entree that crosses the border from commercial to institutional is fried chicken, especially when served with green beans and rice.

In the commercial restaurant arena, French fried shrimp, appearing on the top five list in the casual, family/steakhouse and hotel restaurant segments, scores slightly higher than fried chicken in the lunch census. As at lunch, cheeseburgers are the fast-food choice at night. Longtime menu staples, steak and prime rib, may not be on top, but they are still in the running, especially at steakhouses, hotels, fine-dining and casual restaurants.

Baked ham tops the institutional list, most often appearing on hospital menus, but also on the menu of more than 70% of colleges surveyed. Steak may be too costly for institutional operations, but beef stew and meat loaf take the beef spot, especially in employee feeding. Barbecue chicken ranks second to fried chicken as a top item.

For more culinary stars, refer to the following list.

Elegant meals: Restaurants in the fine-dining segments report scallops are No. 1 on the menu. High-priced lobster comes in a close second, followed by steak and prime rib. Duck and oysters tie for fifth place.

A toss-up: Tossed green salad is the salad of the day on most menus, except for fast food, where coleslaw wins out. Commercial cafeterias serve the more unusual, spinach, Waldorf and avocado salads, with greater frequency than any other segment.

Starchy sides: Rice pilaf is the highest scoring starch on fine-dining and hotel menus and also appears frequently on menus in hospitals, colleges and in employee feeding. What has always been said about serving starches at college is true: Colleges serve more noodles and pasta, than any other segment.

TOP FIVE DINNER CHOICES

TOTAL COMMERCIAL	
French fried shrimp	39.7%
Fried chicken	37.4
Cod	37.0
Steak	35.9
Prime rib	34.0
FINE DINING	
Scallops	58.3%
Lobster	56.7
Steak	55.0
Prime rib	48.3
Duck, oysters	43.3
CASUAL/THEME	
French fried shrimp	51.7%
Cheeseburger	49.4
Other shrimp	49.4
Gourmet hamburger	42.7
Steak	42.7
FAMILY/STEAKHOUSE	
Steak	69.3%
French fried shrimp	68.0
Cheeseburger	62.7
Fried chicken	61.3
Chef's salad	54.7
CAFETERIA	
Baked ham	75.0%
Beef stew	68.8
Stuffed peppers	68.8
Stroganoff, prime rib	62.5
Meat loaf	62.5
FAST FOOD	
Cheeseburger	46.6%
Ham & cheese sand.	43.0
Hamburger	43.0
Hot dog	43.0
Ham sandwich	34.2
HOTEL/MOTEL	
Prime rib	88.9%
Steak	88.9
Lamb chops	81.5
French fried shrimp	70.4
Scallops	70.4

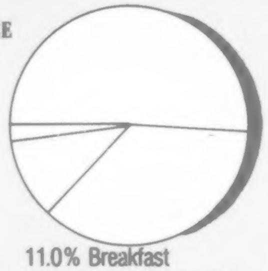
TOTAL INSTITUTIONAL	
Baked ham	70.6%
Beef stew	70.6
Meat loaf	68.8
Barbecue chicken	64.7
Fried chicken	64.7
HOSPITALS	
Baked ham	73.4%
Beef stew	74.7
Liver	69.6
Meatballs	64.8
Macaroni & cheese	65.8
COLLEGES	
Lasagna, spaghetti	80.4%
Baked ham	73.9
Fried chicken	73.9
Baked potato/topping	71.7
Barbecue chicken	71.7
EMPLOYEE FEEDING	
Beef stew	77.3%
Cheeseburger	72.7
Fried chicken	72.7
Macaroni & cheese	68.2
Reuben sandwich	68.2

1988 MENU CENSUS

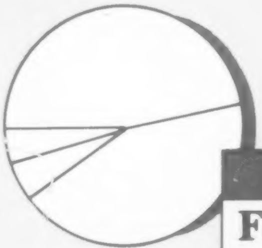
PERCENTAGE OF ANNUAL SALES VOLUME BY MEAL PERIOD

The hotel/motel segment derives revenue from breakfast; fast food wins big with lunch; full-service restaurants make money at dinner.

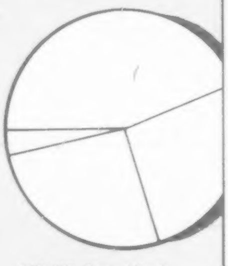
FULL SERVICE



FAST FOOD



HOTEL/MOTEL



Fresh is the buzzword in today's menu game, the single most important concern of operators.

In the world of foodservice, patrons' concerns become operators' concerns. Restaurateurs are constantly second-guessing customers to determine what will sell, and then revising menus accordingly. One question put to *R&I* "Menu Census" survey respondents deals with the issue of patrons' concerns.

Freshness was revealed as the factor operators think is most important to their customers, especially in the hotel/motel segment. College foodservice directors are more likely than any other segment to see low calorie/light food and vegetarian options as important to their patrons; "health food" is most important to employee feeding.

Operators surveyed follow the notion that freshness is important. Respondents reported that more than half of the products prepared are fresh or made from scratch, about 27% is frozen, 12% is canned and 6% is dry-packed.

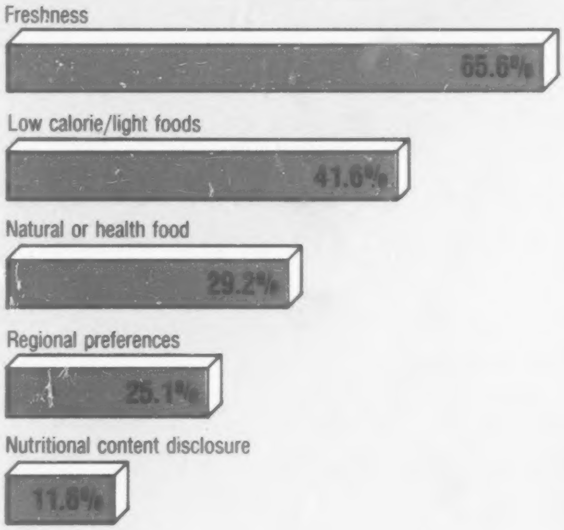
Full-service, hotel and employee-feeding establishments said they use the most fresh food, while fast-food operations use the least. Frozen food was used most by fast-food eateries and schools. Canned food is used most by hospitals and schools, and colleges use more dry-packed products than any other segment.

Patron concerns are important to operators, but the bottom line is sales. If sales figures do not live up to expectations, operators look for anything to correct them. When asked what the main factor was that influenced respondents to make changes on menus, increasing sales was cited by more than half. Lowering costs was mentioned by only 14%. Eleven percent had other reasons for changing the menu.

What meal can operators concentrate on to increase sales with menu additions or changes? The majority of full-service restaurant business is done at dinner. Since hotels capture most of the breakfast business, breakfast may be a meal period to explore. Fast-food restaurants may be able to increase dinner options to increase sales during the evening hours.

PATRON CONCERN GROWING IN IMPORTANCE

Freshness is key to making patrons happy, according to *R&I* "Menu Census" survey respondents. Although consumer advocates proclaim the importance of nutritional content disclosure, only 11.6% of respondents think their patrons are concerned about finding out what kind of nutrients are contained in the food they eat when they dine out.



Source: 1988 Menu Census ©1988 *Restaurants & Institutions*, a Cahners publication

1988 MENU CENSUS

BEST MENU ADDITIONS

Every year restaurant operators assess their menus, taking off those items that were less than successful and adding new dishes they hope will sell better. Following is a list of the items added most often.

BEST SALAD BAR ADDITIONS

Pasta salad
Fresh vegetables
Fresh fruit
Dried fruit
Sunflower seeds
Cheese

BEST APPETIZER ADDITIONS

Seafood
Fried vegetables
Fried cheese
Chicken
Potatoes
Nachos

BEST SOUP ADDITIONS

Cream of broccoli
Clam chowder
Chicken noodle
Cheese soup
Vegetable soup
Minestrone

BEST ENTREE ADDITIONS

Chicken breast
Chicken nuggets
Pork chops
Prime rib
Shrimp
Lasagna

BEST DESSERT ADDITIONS

Chocolate mousse
Cheesecake
Carrot cake
Bread pudding
Peanut butter pie
Sundae

Constant menu revision is an important tool for foodservice operators who want to stay on top.

Patrons today want a wide assortment of food choices. Operators surveyed for the *R&I* "Menus Census" were asked to state what factors are of growing importance in menu planning, and the top concern was increasing the variety of items on their menus. Backing up that claim, when asked to cite best additions to menus, respondents mentioned thousands of items in the salad bar category alone. Pasta salad was rookie of the year, mentioned by more than 17% of operators in the open-ended question. Other highlights follow:

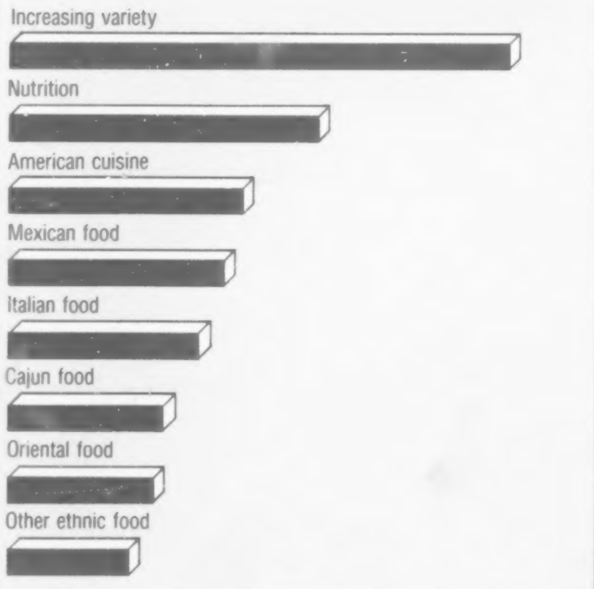
- With nutrition as the second most important menu-planning concern, items such as fresh fruits and vegetables, beans, non-cream soups and chicken breast came out as winners.
- Mexican food is the top-mentioned ethnic favorite; nachos are a popular new addition to many appetizer menus.
- Italian cooking is second to Mexican in ethnic popularity. Lasagna and pasta salad are top-mentioned entree additions.
- Prime rib, one of the top items on menus overall, also came out as a top entree addition.
- Cajun food may not be on the rise anymore, but its influence is showing up in menu additions such as Southern-style bread pudding.
- Almost half the operators surveyed believe that customer awareness of price has not changed, but 37% believe patrons are more aware of price and only 8% think they are less aware than they were two years ago.
- Food costs take slightly more of the sales dollar than labor costs do (37.7% vs. 30.5%). Beverage costs take 10% of the foodservice dollar; energy costs account for 8%.

Overall, operators surveyed were optimistic about business compared to a year ago. More saw increases than decreases in total customer transactions, food sales, beverage alcohol sales and profitability. However, the 1.4% overall net increase in check average may account for the general sales stability, since food, beverage, energy and labor costs also rose. Highest increases were in theme restaurants.

continued on page 65

LEADING FACTORS IN MENU PLANNING

It is not surprising that restaurateurs see variety on menus as something of growing importance in menu planning. But it is a bit of a revelation that nutrition comes in second. It is also interesting to note that the American cuisine that food aficionados have been touting for almost a decade now is influencing almost a quarter of those operators surveyed in *R&I*'s "Menu Census."



Source: 1988 Menu Census ©1988 *Restaurants & Institutions*, a Cahners publication

1988 MENU CENSUS

A typical commercial restaurant gleaned from the *R&I* "Menu Census" serves 400 meals daily, mostly at lunch, for a $4.50 check average.

An inexpensive day of meals in an average restaurant might mean breakfast in Atlanta, lunch in Chicago and dinner in Detroit. The West claims the most expensive breakfasts and lunches, but on the average, the most expensive dinners are found in the Northeast.

CHECK AVERAGES BY REGION

	BREAKFAST	LUNCH	DINNER
West	$2.79	$4.33	$7.45
South	2.19	3.87	7.72
Central	2.29	3.20	6.00
Northeast	2.36	4.07	8.85
TOTAL	**$2.37**	**$3.77**	**$7.33**

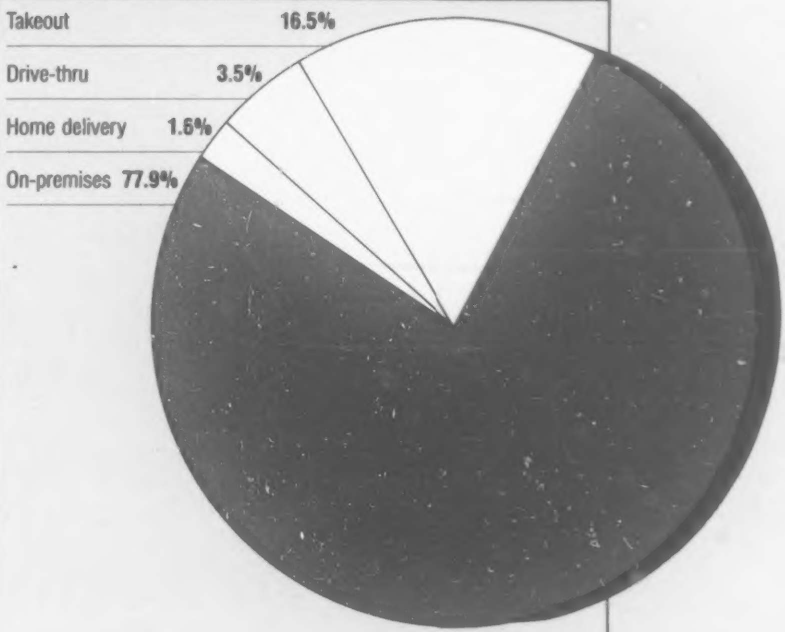
AVERAGE NUMBER OF MEALS SERVED DAILY

The *R&I* "Menu Census" proves that institutional operations serve the most meals per day, an average of almost 7,000.

Full service	346
Fast food	515
Hotel/motel	433
Hospital/nursing homes	2,375
College/university	4,793
Schools	12,423
Employee feeding	1,404
Average commercial	416
Average institutional	6,777
AVERAGE TOTAL	**2,869**

TYPES OF SERVICE COMMERCIAL RESTAURANTS OFFER

While takeout seems to be growing every year, less than a quarter of commercial restaurants surveyed reported offering some kind of takeout. Drive-thru windows account for about 11% of fast-food business overall; home delivery is less than 5%. Fast-food emporiums offer slightly more on-premises service (46.8%) than takeout (38.1%). Hotels offer the least takeout, 2.6%; takeout accounts for 8% of full-service restaurant business.



Source: 1988 Menu Census ©1988 *Restaurants & Institutions*, a Cahners publication

R&I DATA

FOOD COST INDEX: SOME PRICES THAW WITH SPRING AROUND THE CORNER

With a decline in the price of steak and french fries, customers might be seeing more steak-and-potato specials. The cost of New York strip steak is down 9% from last month, 18% from last year. French fries are down 12% from March. Dairy products are again showing a decrease in price. Milk is down 8% from $1.79 last month. Ice cream and butter are both showing a decrease of 10%.

		% change	
	4/1/88	3/88	4/87
Hamburger (lb. 85% lean)	$1.32	2	6
Chicken (lb. cut for frying)	.75	−1	−6
N.Y. strip steak (lb./avg.)	3.01	−9	−18
Bread (Pullman loaf)	.75	−3	−10
Lettuce (iceberg/head)	1.06	0	96
French fries (30 lb.)	10.97	−12	4
Tomatoes (lb.)	.63	−6	24
Milk (gal.)	1.64	−8	−7
Eggs (doz.)	.66	6	−4
Peaches (case/#10)	17.95	3	2
Peas (case/#10)	11.11	6	−13
Frozen beans (30 lb.)	15.01	4	−2
Ice cream (vanilla/gal.)	3.19	−10	−6
Butter (lb.)	1.52	−10	−10
Cheddar cheese (lb.)	1.68	2	7
Sugar (100 lb.)	30.74	9	9
Coffee (lb.)	2.78	4	−9
Breaded fish portions (lb.)	1.13	−34	−35

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FOOD PRICE UPDATE

Researchers Continue to Experiment with New Foods

Are barley bread sticks and protein-altered milk on the horizon?

When a new product hits the market, it has already been subjected to rigorous testing and evaluation. But sometimes research and development staffs cannot leave well enough alone and they continue to fine-tune a product even after it debuts. The result often is an improved product for the consumer.

Following is a rundown of some of the new wonders developed by food researchers and scientists at state agriculture experiment stations. It is excerpted from the Edelman Food Update.

Supercarrots, a new variety with 50% more carotene than average, are the result of work at experiment stations in Florida, Wisconsin, Texas, California, Arizona and Idaho.

Barley bread sticks with extremely high dietary fiber content were developed through a project to develop new markets for barley growers in Montana. Researchers say they show promise as a means of lowering blood cholesterol levels.

Ocean nuggets are tasty fish balls that scientists made from underused species, such as red hake with squid, squid with pollack or shark with pollack. This development is from the University of Massachusetts.

Protein-altered milk. In this project, cows are genetically modified to give milk for special needs, to make special kinds of cheese or higher iron-content milk, for example. This is from the University of California.

In other news. The price of hamburger meat for this month was the same for both commercial and institutional operations, $1.32 a pound. The Northeast paid slightly more at $1.47 a pound, while the North Central was the lowest at $1.23. The commercial side of the industry paid more for a Pullman loaf of bread. Restaurateurs paid 92 cents, while their counterparts were charged 63 cents. The price for a case of canned peaches ranged from $19.35 in the West to $16.56 in the Northeast.

—Kathleen Marshall

Garden variety foods are constantly under scrutiny to be improved. Researchers already have developed Supercarrots, a new variety with 50% more carotene than average.

ACTION EXPRESS

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R&I EXCLUSIVE

A MARKETING BATTLEGROUND

By Susie Stephenson

INSTITUTIONAL GIANTS

Institutional foodservice directors and dietitians have become masterful promoters as they vie for customers' dollars.

The numbers are staggering: About 40% of total foodservice purchases each year are made by the institutional market. The dollar amount is close to $32.9 billion and is expected to increase almost 1% during 1988.

The people consuming this food range from inmates doing time in federal prisons to executives of the nation's most prestigious companies dining on seven-course banquets prepared by Culinary Institute of America chefs.

But the institutional segment is in flux. No longer is it a "guaranteed" market. Customers are choosier than in years past, more sophisticated and more demanding. As a result, foodservice directors and dietitians are becoming more aggressive in their pursuit of customers and their dollars.

What exactly has been going on?

"Our first graders today have more eating experience than high schoolers in the '50s," says Beverly Lowe, foodservice director of the Hampton, Va., schools.

Myriad other changes have taken place, as well. For instance, there are more working women. Today, 52.7 million women are in the work force, 7 million more than in 1980. For them, convenience is critical.

Also, the influx of immigrants is bringing new culinary expectations. It is estimated that by the year 2000, Asians will generate $115 billion in annual income; Hispanics will generate $242 billion. (These numbers will be up from an estimated $61 billion and $138 billion, respectively, in 1990.) Little wonder then that Jane Boehrer, foodservice director of the San Diego public schools, has added meat dishes on rice to appeal to her increasingly large Oriental population. Or that Beverly Greenburg, of the New York City schools, finds a Jamaican-style beef patty particularly popular among New York City school students.

Other changing demographics will continue to alter the makeup of institutional customers and institutional foodservice markets. For some segments, populations will decrease; there will be fewer economies of scale. For instance, in the 10 years from 1990 to 2000, the number of preschoolers is expected to decrease 1.6%. By the year 2000, there will be 30 million people between the ages of 65 to 84.

Fewer people are exercising than in years past, according to research, and many are less concerned with additives in their food (note the popularity of sugar substitutes). However, fat and cholesterol intake is causing anxiety among customers—and often influencing their menu selections.

Institutional foodservice directors and dietitians are capitalizing on this interest in healthful eating by moving away from passive nutrition education—table tents and posted calorie counts, for example—toward nutrition games in which customers can participate.

Customers are also increasingly concerned that their food is fresh, and, in many instances, they want to participate in the preparation of their meal. Self-service remains popular (it is also less labor-intensive, in most instances), as do products baked on premises. At the University of Wisconsin in Madison, for example, Foodservice Director Rheta McCutchin went through more than seven tons of bake-off cookie dough last year.

The institutional giants have also faced up to the reality that not only are their customers more selective about what they want to eat, these same customers are quite likely to opt to eat someplace else (or bring meals packed at home) if institutional offerings don't appeal to their palates. And that option now exists.

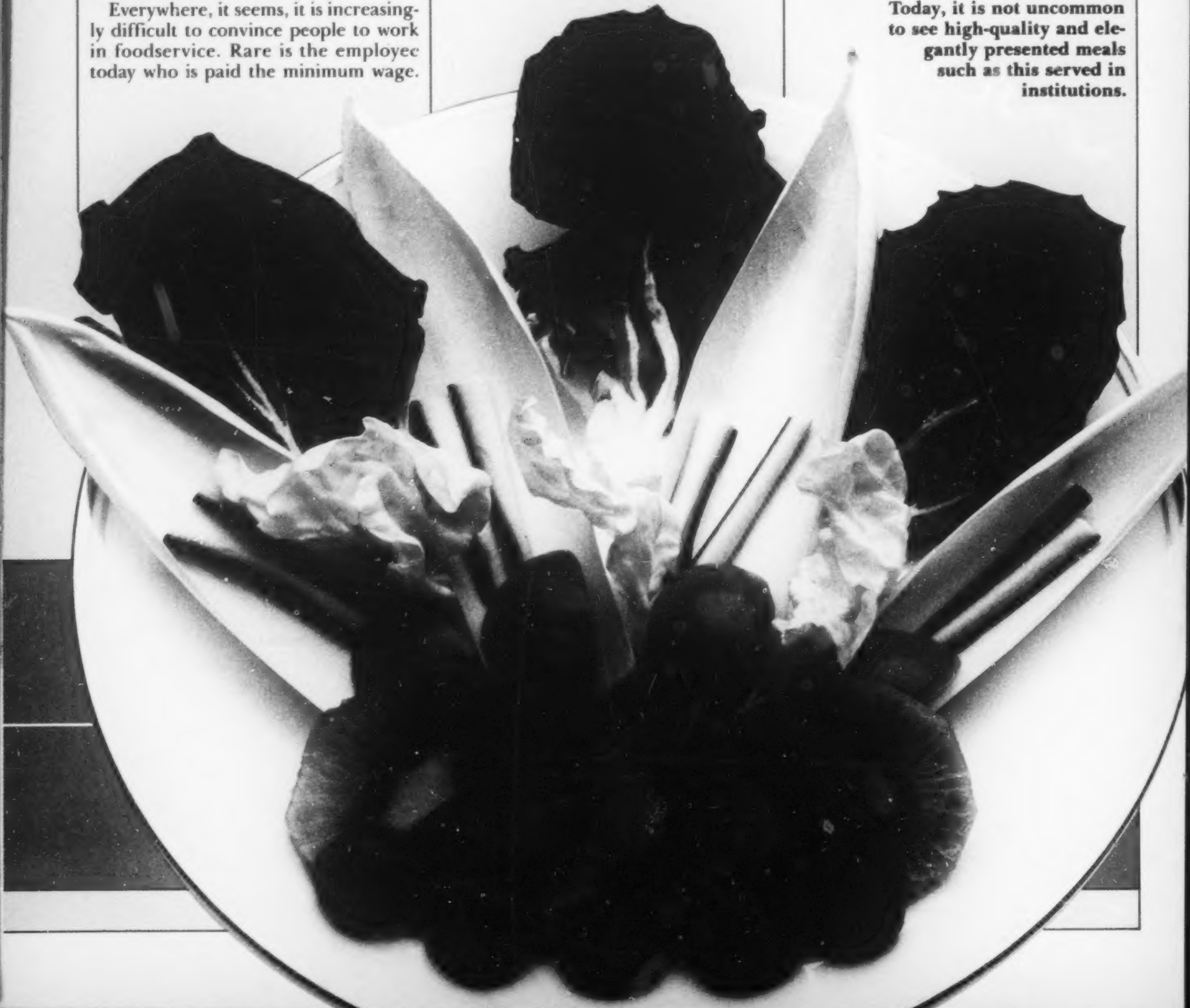
For instance, rare is the university campus not edged with a variety of restaurants catering to students.

DRGs—the government-mandated health-care payment system—have created havoc with virtually every health-care foodservice department. Many have branched into revenue-producing markets such as catering and frozen modified meals.

Everywhere, it seems, it is increasingly difficult to convince people to work in foodservice. Rare is the employee today who is paid the minimum wage. As a result, prices are rising to offset higher wages, hours of service are being cut and vending machines are springing up everywhere—whether owned and operated by the institution or by vending companies.

All this competition for customers' dollars has resulted in far more sophisticated marketing and promotion programs. "Twenty years ago, we expected kids to eat with us, and they did," comments one college foodservice director. "Today, they are bombarded with advertisements—all trying to encourage them to eat someplace other than with us. As a result, we've upgraded our offerings and marketing programs. Our 'world' is getting very competitive. At the same time, most administrators are expecting more from us in terms of contributions to the bottom line. Oh, we'll never compete with McDonald's Mac Tonight commercial—we don't have those kinds of bucks—but you sure don't see any photocopied menus anymore, either."

On the following pages, we provide some insight into this market by decribing major players and giving examples of what they're doing to increase their market share and participation in an increasingly competitive environment. (All figures given are for 1987 unless otherwise noted.)



Today, it is not uncommon to see high-quality and elegantly presented meals such as this served in institutions.

INSTITUTIONAL GIANTS

CONTRACTORS

Contract companies such as Restaura provide 80% of the foodservice in business and industry.

Eight years ago, contract companies had a 25% share of the institutional segment sales; just five years later, in 1985, the share had increased to 38%. Although contract companies serve every segment of the industry—from airlines to amusement parks, schools, colleges and health care—one of their largest markets is business and industry feeding. According to the Society for Foodservice Management, contract companies provide foodservice to 80% of this segment. In-plant/in-office food purchases last year totaled about $7 billion, or 21% of the total institutional foodservice purchases. Purchases are estimated to increase about 1.5% this year.

Contract company executives see their biggest challenges as: recruiting talented employees; dealing with competition from grocery stores; containing costs (not many operations are subsidized anymore) and figuring out what customers really want.

In response to an increasing number of women in the work force, more business and industry operations are worrying about providing some kind of day-care service and also preparing meals that parents can take home.

Seasonal promotions called "The Times" was one of the most successful marketing ventures undertaken by Trusthouse Forte Foodservices last year. Divided into four groups—Winter Works, Spring Thymes, Summer Spells and Autumn Views—the company offered such special events as The Caribbean Cruise, Surfside Station and The Pumpkin Patch. Appropriate menu signs, promotions and recipes were part of the package available to clients.

Seiler Corp. offered a visiting chef program to many of its units. In conjunction with chefs from local restaurants, individual foodservice directors developed menu items (based on the restaurants' offerings) that were served to client-customers. In most instances, dining areas were decorated to look as similar to the restaurant as possible. Chefs, who directed the operation of the institutional kitchen for the event, also taught staff employees various new cooking techniques, such as how to use mandolins properly.

In 60 of Restaura's Division II accounts, a six-week Starcruise promotion was held in conjunction with Premier Cruise lines, a subsidiary of Greyhound (Restaura's parent company). Prizes (including luggage, solar calculators, watches and message microphones) were given away each week; the grand prize was a three-night Bahamian cruise. On opening day, cafeterias were decorated in a cruise-line ambiance and Restaura staff dressed in appropriate clothing. A special cruise-line meal was served. Participation increased as much as 20%.

dāka Inc. also saw an increase of as much as 20% in its accounts during an "Apple Sensation" promotion held last year. The venture stressed back-to-basics cooking and emphasized health and nutrition.

At the Wood Co., impulse sales of scratch products (rather than prepackaged snacks) increased when the company offered its Almost-Famous Cookies, three different, 5-inch home-style cookies that were merchandised in old-fashioned cookie jars.

1

MARRIOTT CORP. (foodservice management division)
Washington, D.C.
F&B purchases in 1986: $1,118 million*
No. of meals served/day: 2.5 million
No. of units: 2,200
No. of employees: 68,000

New menu items introduced in 1987 included Mexican meat loaf; low-calorie cheesecake.

2

ARA SERVICES
Philadelphia, Pa.
F&B purchases in 1986: $1,050 million*
No. of accounts: 1,875

New menu items introduced in 1987 included executive box lunch program to Classic Fare (ARA's national, off-premises retail catering company); "light and right" frozen meals.

3

CANTEEN CO.
Chicago, Ill.
F&B purchases: $950 million
No. of accounts: 2,700
No. of employees: 25,000

New menu items introduced in 1987 included national rollout of two signature items: Bigger, Better Biscuits and Pizzelli's Pizza.

4

SERVICE AMERICA CORP.
Stamford, Conn.
F&B purchases: $400 million
No. of units: 10,000 (includes dining services, recreational services and vending)
Labor costs: $250 million

New menu items introduced in 1987 included pasta items, fish and chicken nuggets with sauces in schools, Sacwich deli sandwiches, such as roast beef.

5

MORRISON'S CUSTOM MANAGEMENT
Kingston, Pa.
F&B purchases: $140 million
No. of meals served: 200 million
No. of units: 697
Labor costs: $107 million

New menu items introduced in 1987 included sautéed chicken with wine sauce; steamed fish with summer vegetables.

Mexican Fiesta

To attract customers, special events often are offered by contractors in B&I accounts.

6

THE SEILER CORP.
Waltham, Mass.
F&B purchases: $80 million**
No. of foodservice accounts: 350
No. of employees (full-time equivalent): 4,600

New menu items added in 1987 included cuisine-to-go (takeout concept): tortellini salad; St. Moritz sandwich; fruit-filled chocolate "tacos" (waffles).

7

dāka
Wakefield, Mass.
F&B purchases: $68.6 million
No. of units: 372
No. of employees: 7,000
Labor costs: $81.8 million

New menu items added in 1987 included pasta perfect calzone; nonfat yogurt; petite gourmet vegetables; Cajun pizza; gourmet pizza.

8

RESTAURA DINING SERVICES
Phoenix, Ariz.
F&B purchases: $50 million
No. of transactions in 1987: 300 million
No. of units: more than 300
No. of employees: 7,000

New menu items introduced in 1987 included chicken breast with tarragon; beef broccoli stir-fry; roast pork Dijon.

9

TRUSTHOUSE FORTE FOODSERVICES
Trumbull, Conn.
F&B purchases: $45 million
No. of meals served: 15 million (plus 15 million other transactions, such as breakfast)
No. of units: 224 foodservice; 97 vending; 50 office coffee
No. of employees: 2,150 full-time; 320 part-time
Labor costs: $35 million

10

THE WOOD CO.
(privately owned subsidiary of Abela Enterprises, London)
Allentown, Pa.
F&B purchases: $43 million
No. of meals served: 45.3 million
No. of units: 204
Labor costs: $46 million

New menu items in 1987 included signature sandwiches.

OTHER BIG PLAYERS

☐ Valley Food Service
Jackson, Miss.
F&B purchases: $14 million
Number of meals served: 29.2 million

☐ 3M (independent)
St. Paul, Minn.
F&B purchases: $1.9 million
Meals served: 1.5 million

☐ Total Food Service Direction Inc.
Coral Gables, Fla.
F&B purchases: $4.5 million
Number of units: 28

☐ Pickett Food Service
Shrevesport, La.
F&B purchases: $5.4 million
Number of units: 20

> "The drop in beef consumption has bottomed out. But seafood, which is not well-marketed now, will increase in popularity."
>
> —Bill Griffin
> Morrison's Custom Management

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*IFMA's Directory of Foodservice Opportunity Markets, Oct. 1987. **estimated by R&I

INSTITUTIONAL GIANTS

HEALTH CARE

Health care accounts for 21% of food purchases in institutions, but the number is expected to decrease.

The health-care market is still reeling from the impact of DRGs. Although the major players—National Medical Enterprises, Humana, Hospital Corp. of America and American Medical International Inc.—are entering 1988 much leaner than in years past, the picture is still not that bright. Inflation in medical costs has been gaining momentum since mid-1987. Hospital occupancy rates, which had been decreasing during the past few years, have started to increase—although slowly. Ironically, rising occupancy will only worsen the problems this year, since government and private reimbursement health-care programs discourage admitting all but the sickest patients. And thanks to an aging population, AIDS and other factors, the number of such patients is starting to grow.

Although hospitals have been trying to pass their increased costs off on private insurers, it is expected that the private insurers will take stronger stands against such moves this year.

Even though hospitals have been trying to remedy many of their problems by renovating now-unused wings and offering new services—such as hospices —they still have an abundance of empty beds. According to *Business Week*, almost 40% of the nation's hospital beds are empty on an average day.

Health-maintenance organizations are hurting, too. Competition for customers has hiked recruiting expenses more than expected. Enrollment, which was running at 20% annually, has slowed to 15%.

The picture is not particularly pleasant for foodservice, either, particularly those in hospitals.

Food and beverage purchases in 1987 were $4.9 billion and are expected to decrease about 1% this year. Not only is this a result of fewer and sicker patients, but a drop in the number of employees being fed as well.

The picture for nursing homes is not quite so bleak—particularly in the long term. At the moment, they have a 96% occupancy rate. Not only is this a result of an aging population, but hospitals are discharging to nursing homes patients who are too sick to be cared for at home. Nursing home food purchases in 1987 were $1.9 billion; a modest 1% increase is forecast for 1988.

To be even more competitive, health-care administrators and foodservice departments have taken a variety of tacks. For instance, Beverly Enterprises has implemented a systemwide quality assurance program, a computer-assisted menu system.

National Heritage is emphasizing recruitment and meal presentation. The company is switching from plastic to china and now garnishes every entree.

ARA is test-marketing its "Light and Right" frozen meals, which complement the company's "Treat Yourself Right" nutritional-awareness program. The concept is targeted for hospital staffers, visitors and patients interested in purchasing convenient, nutritional meals. "We feel this concept fulfills the needs of busy doctors and nurses and recently discharged patients alike," says Carol Carlson, ARA Healthcare Nutritional Services' vice president of professional services. All 15 "Light and Right" meals are low in sodium, cholesterol and calories.

1

BEVERLY ENTERPRISES
Pasadena, Calif.
F&B purchases: $110 million
No. of units: 1,125
No. of beds: 120,000
No. of employees: 25,000

Popular menu items in 1987 included pot roast; roast beef; ham.

2

VETERAN'S ADMINISTRATION
Washington, D.C.
F&B purchases: $94.4 million
No. of meals served: 77.3 million
No. of units: 172
No. of beds: 76,213
No. of employees: 14,386
Labor costs: $296.5 million

3

NATIONAL MEDICAL ENTERPRISES INC.
Orange, Calif.
F&B purchases: $75 million
No. of meals served: 80 million
No. of units: 578
No. of employees: 7,000
Labor costs: $80 million

New menu items introduced in 1987 included more poultry and fish entrees and fewer beef and pork entrees.

4

UNITED HEALTH INC.
(Unicare Health/UHF Purchasing) Milwaukee
F&B purchases: $65 million
No. of meals served: 97 million (a 193% increase over 1986)
No. of units: 890
No. of employees: 9,000
Labor costs: $60 million

New menu items added in 1987 included lemon chicken; hacienda green beans; stuffed veal.

5

HILLHAVEN CORP.
(Subsidiary of NME)
Tacoma, Wash.
F&B purchases: $45 million to $50 million
No. of meals/day: 150,000
No. of units: 379 long-term care facilities
No. of beds: 47,357

New menu items added in 1987 included red bliss potatoes; French onion stew.

OTHER BIG PLAYERS

(large independents)

☐ **California Medical Facility**
Vacaville, Calif.
Annual food purchases:
$7 million

☐ **Baptist Memorial Hospital**
Memphis, Tenn,
Annual food purchases:
$5 million

☐ **Presbyterian Hospital**
New York, N.Y.
Annual food purchases:
$5 million

☐ **University of Missouri Hospital and Clinics**
Columbia, Mo.
Annual food purchases:
$4.5 million

Source: Report on Institutional Foodservice, Nov. 1987

> Popular entree selections in 1990 will include more creative diet items—more than just skinless chicken, for example.
>
> —Raymond Zall
> TrettCo Inc.

At a Washington, D.C., hospital, a local restaurant chef helped recreate his facility's ambiance and food.

6

HUMANA INC.

Louisville, Ky.
F&B purchases: $38 million
No. of meals served: 2.2 million
No. of units (in U.S.): 83
No. of employees: 2,950

New menu items introduced in 1987 included made-to-order sandwiches; seafood salad on avocado; chicken salad with cashews; tuna salad; Oriental salad.

7

NUTRITION MANAGEMENT SERVICES

Kimberton, Pa.
F&B purchases: $30 million
No. of meals served: 15 million
No. of units: 65
Labor costs: 25 million
No. of employees: 1,000

New menu items added in 1987 included more pasta salads, hot desserts such as bread pudding and cobblers with toppings.

8

TRETTCO INC.

Farmington Hills, Mich.
F&B purchases: $23.3 million
No. of meals: $24.3 million
No. of units: 85
No. of beds: 10,805
No. of employees: 3,308 (supervised payroll)
Labor costs: $42 million

New menu items introduced in 1987 included "healthy heart" menu items

9

THE EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY

Sioux Falls, S.D.
F&B purchases: $15.9 million
No. of meals served: 17.5 million (35 million when beverages and snacks are included)
No. of units: 195
No. of beds: 47,892
Labor costs: $20.3 million

10

MANOR CARE

Silver Spring, Md.
F&B purchases: $18.8 million*
No. of units: 139 nursing centers (121 owned; 16 leased; 2 managed); 1 acute-care general hospital
No. of beds: 18,527

Menus in facilities differ. Company now makes bran muffins and is testing using turkey in such items as lasagna.

---

*Report on Institutional Foodservice, December 1987

INSTITUTIONAL GIANTS

1

NEW YORK PUBLIC SCHOOLS
New York, N.Y.
F&B purchases: $88.4 million
No. of meals/year: 131.5 million (a 6.25% increase over 1986)
No. of employees: 10,000
Labor costs: $111.1 million

New menu items added in 1987 included croissant pizza; battered diced veggie sticks.

2

LOS ANGELES UNIFIED SCHOOL DISTRICT
Los Angeles, Calif.
F&B purchases: $61.6 million
No. of meals/year: 110 million
No. of employees: 3,000
Labor costs: $73 million

New menu items added in 1987 included turkey nuggets; egg rolls; breaded pork steak; beef empanada; breaded beef sticks.

3

CHICAGO BOARD OF EDUCATION
Chicago, Ill.
F&B purchases: $45.8 million
No. of meals/year: 69.2 million
No. of employees: 4,000
Labor costs: $37 million

New menu items added in 1987 included "cheese toasty"; onion rings; vegetable seasoning blends; cracked wheat dinner rolls; salsa sauce.

4

HOUSTON PUBLIC SCHOOLS
Houston, Texas
F&B purchases: $23 million
No. of meals/year: 38,000 breakfast; 155,000 lunch/school day
Labor costs: $12 million
No. of employees: 1,639

New menu items introduced in 1987 included whole baked potatoes; fish nuggets, chicken breast strips.

5

SCHOOL DISTRICT OF PHILADELPHIA
Philadelphia, Pa.
F&B purchases: $15.3 million
No. of meals/year: 21.3 million
No. of employees: 2,046
Labor costs: $19.7 million

New menu items introduced in 1987 included turkey nuggets; beef nuggets; barbecued beef patty; lasagna; croissants; burger bundles.

SCHOOLS

Generally, schools offer menu items similar to those sold in—and advertised by—fast-food restaurants.

With the ever-present threats of reductions in government funding and commodities and the uncertain economic climate, school foodservice directors continue to implement innovative marketing and promotional ventures to keep students on campus and eating meals at school. The school market is the third-largest of the segments in the institutional market, accounting for 21% of purchases, or about $6.6 billion. The amount is expected to increase about 1% this year.

How are school foodservice directors entertaining customers and encouraging them to eat school lunch and breakfast?

Generally, they continue to offer menu items that are similar to those offered by fast-food restaurants. "Let's be serious," says one director. "The chains are spending millions creating desire for their products. Our students have grown up on fast foods."

Dot VanEgmond-Pannell has found her Pizza/Read program to be effective. The foodservice department provided a pizza party for classes in the Fairfax County, Va., public schools when all students participated and met reading requirements.

Howard Briggs, foodservice director for the Detroit public schools, improved public relations with his students' parents by offering special ethnic days.

In Chicago, Cain Jones increased morning participation by offering a breakfast promotion.

In Los Angeles, foodservice director Beth Louargand received a lot of favor-

> "Menu items popular in 1990 will be the ones popular now: burritos, pizza, chili cheese dogs, cheeseburgers, fiesta salads and nachos."
>
> —Marjorie Craft
> Dallas Independent School District

OTHER BIG PLAYERS

☐ **Denver Public Schools**
F&B purchases: $3.2 million
Number of meals served: 4.9 million lunch; 1.4 million breakfast

☐ **Minneapolis Public Schools**
F&B purchases: $2.7 million
Number of meals served: 3.4 million

☐ **New Haven, Conn. Public Schools**
F&B purchases: $1.8 million
Number of meals served: 3.1 million

☐ **San Francisco Public Schools**
F&B purchases: $3 million
Number of meals served/school day: 39,000

able press for the department when she arranged to have leftover food donated to needy people in the city.

A week-long citrus promotion in Atlanta schools increased the consumption of the citrus item offered each day, such as fresh oranges, orange juice and orange juice popsicles. Orange juice was also incorporated into recipes. The promotion was heralded prior to implementation by posters displayed in schools.

A "Powerhouse" sandwich offered in Baltimore schools was extremely popular. It was promoted by posters with a countdown: "Two days from now . . . "

Offering particularly attractive food has been the recent emphasis of Denver school foodservice. Foods are now all garnished, and extra care is taken in their presentation.

In Minneapolis, students have been attracted to foodservice with an offer of novelty items such as sponge animals that "grow" in water, which were packed with meals.

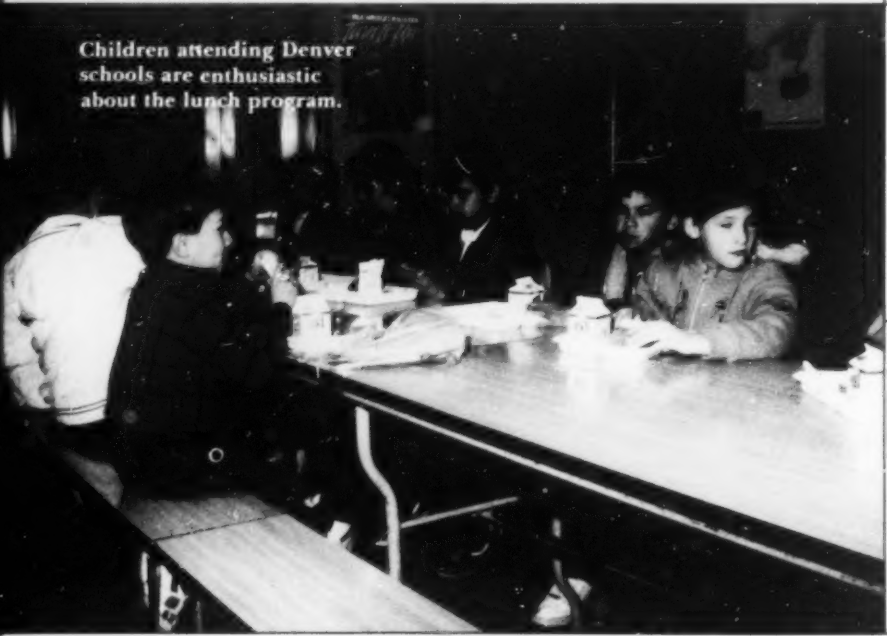
St. Louis foodservice has concentrated on increasing its visibility in the community, meeting with parent groups and local clergy to explain what the department is trying to do—and does do.

A build-your-own-sub sandwich has proven popular with students of the Boston public schools. The foodservice department has also held citrus, soup and milk promotions offered by commodity groups and food companies.

Introduction of gyros proved particularly popular in the Austin, Texas, schools.

Jane Wynn implemented salad bar promotions in all Broward County, Fla., secondary schools and introduced a breakfast program in all elementary schools.

Jane Boehrer has found taking over the vending and store operations and running them in cooperation with students has been very well-received by students and the foodservice department in San Diego. "By working together successfully, we solved the problem of 'turf' battles," Boehrer explains. She expects to increase the variety of snack foods available in the school stores, offering more specialty bars and other items that are not candy but substitutes that students find acceptable.



Children attending Denver schools are enthusiastic about the lunch program.

6

DADE COUNTY SCHOOL FOODSERVICE

Miami, Fla.
F&B purchases: $18.3 million
No. of meals/year: 30 million
Number of employees: 2,500
Labor costs: $21.4 million

New menu items introduced in 1987 included black beans/rice, French toast sticks; fried mozzarella.

7

DALLAS INDEPENDENT SCHOOL DISTRICT

Dallas, Texas
F&B purchases: $14 million
No. of meals/year: 18.3 million
No. of employees: 1,519
Labor costs: $10.9 million

New menu items added in 1987 included onion rings; sweet potato nuggets; beef and chicken fajitas; ham patty.

8

DETROIT PUBLIC SCHOOLS

Detroit, Mich.
F&B purchases: $11.6 million
No. of meals served/school day: 83,000
No. of employees: 2,100
Labor costs: $7.8 million

New menu items added in 1987 included folded pizza; Mexican chili dog; cheese croissants.

9

FAIRFAX COUNTY PUBLIC SCHOOL FOODSERVICES

Springfield, Va.
F&B purchases: $9.5 million
No. of meals/year: 12.6 million
No. of employees: 1,075
Labor costs: $10.2 million

New menu items added in 1987 included nachos with cheese/chili; fish nuggets; fruit juice sherbet; cherry turnover.

10

THE SCHOOL BOARD OF BROWARD COUNTY

Fort Lauderdale, Fla.
F&B purchases: $8.1 million (plus $2.4 million in donated commodities)
No. of meals/year: 14.6 million
No. of employees: 1,000
Labor costs: $9.7 million

New menu items added in 1987 included fish nuggets; Jamaican pies; egg rolls.

INSTITUTIONAL GIANTS

1

NAVY FOODSERVICE SYSTEMS OFFICE
Washington, D.C.
F&B purchases: $289.3 million
No. of rations: 67.7 million
No. of units: 684 general messes

New menu items added in 1987 included Italian pasta salad; fruit bars; chocolate mousse pie; sweet-and-sour chicken; turkey croissant with chutney sauce.

2

U.S. ARMY TROOP SUPPORT AGENCY
Fort Lee, Va.
Total food purchases: $249.5 million
No. of meals served: 201.1 million
No. of dining facilities: 1,074
No. of staff: 23,866

New menu items added in 1987 included stuffed cabbage rolls.

3

U.S. AIR FORCE
Tyndall Air Force Base, Fla.
F&B purchases: $117.7 million
No. of meals served: 95.1 million

New menu items added in 1987 included baked potato with variety toppings; grilled gourmet burger; grilled hamburger on whole wheat buns; egg and sausage biscuit.

4

U.S. MARINE CORP MILITARY CLUBS
Washington, D.C.
F&B purchases: $60.9 million
No. of units: 147
No. of employees: 1,582 (full-time and part-time)
Labor costs: $17.9 million

New menu items introduced in 1987 included top-your-own variety burgers and deli sandwiches at sandwich bars.

5

U.S. NAVY CLUB SYSTEM
Washington, D.C.
F&B purchases: $60.2 million
No. of units: 261
No. of employees: 10,000
Labor costs: $89.1 million

New menu items introduced in 1987 included Italian pasta; fajitas; Cajun and Oriental ethnic entrees; gourmet hamburgers; "healthful" cuisine.

GOVERNMENT & MILITARY

Military personnel want more variety. They are also becoming more interested in improving their health.

With an increasingly uncertain economic outlook for the nation and layoffs in many industries rampant, employment by the government is continuing to be an optimal career choice for many.

As do their counterparts in other institutions, military personnel want more variety. They are also becoming more interested in improving their physical health. Their superiors are in favor of the idea. "We're not just looking for bodies," says a retired Marine colonel. "When we say, 'a few good men,' we're not kidding. We want Marines who are battle-ready. If better nutrition makes our military more fit, then I'm all for it. It's bad enough that the general population is getting flabby. The military should not have that option. The commandant of the Marines has said he is tired of seeing Marines jogging in color-coordinated outfits. He thinks they should be running the beaches of California in battle gear. I agree."

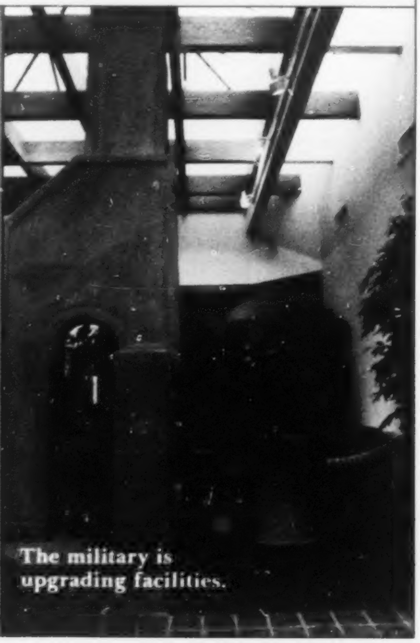
Military food and beverage purchases for 1987 totaled $1.4 billion. The number is expected to increase about 0.5% in 1988.

The Air Force will continue the crusade led by Surgeon General Everett Koop to provide items lower in cholesterol and sodium to reduce incidence of heart disease. Starred items on the Sensible Limited Intake Menu (SLIM) will be prepared with less salt, gravies and sauces.

Army installations are following suit, offering low-calorie salad dressings, for

continued on page 62

> "In 1990, I expect we'll be serving more seafood, fish and veal and less red meat."
>
> —Col. Charles E. Anderson
> Allied Clubs Branch, NATO, AFSOUTH



The military is upgrading facilities.

INSTITUTIONAL GIANTS

6

NAVY RESALE AND SERVICES SUPPORT OFFICE (NAVRESSO)
Staten Island, N.Y.
F&B purchases: $45.5 million
No. of transactions: 34 million
No. of units: 535
No. of employees: 3,500
Labor costs: $26 million

New menu items added in 1987 included French bakery goods.

7

VETERANS CANTEEN SERVICE
Washington, D.C.
F&B purchases: $22.2 million
No. of units: 172
Total labor costs: $22.6 million
No. of employees (full-time equivalent) 1,915

New menu items added in 1987 included pasta entrees; soup and sandwich specials; breakfast specials; "healthful" selections.

8

OHIO DEPARTMENT OF REHABILITATION & CORRECTIONS
Columbus, Ohio
F&B purchases: $19.9 million
No. of meals served: 23.9 million
No. of units: 17
No. of employees: 255 civilians
Labor costs: $4.7 million

Most popular menu items in 1987 included ham; chicken.

9

MEN'S CENTRAL JAIL
Los Angeles, Calif.
F&B purchases: $19 million
No. of meals served: 24 million (a 20% increase over 1986)
No. of units: 8 kitchens; 1 bakery
No. of employees: 152

New menu items added in 1987 to inmate menus included pizza; American beef casserole.

10

NORTH CAROLINA DEPARTMENT OF CORRECTIONS
Raleigh, N.C.
F&B purchases: $13 million
No. of meals served: 19.7 million
No. of units: 87
No. of employees: 1,200
Labor costs: $23 million

New menu items introduced in 1987 included stuffed potatoes; bacon burger; crab cakes.

GOVERNMENT & MILITARY

Although there are many chain restaurants on bases, their initial appeal seems to have worn thin.

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instance, to reduce fat intake.

The Air Force also recently introduced breakfast bars, using existing salad bar equipment.

Burgers were the most popular menu item in 1987, according to Flo Dunn of the U.S. Army Troop Support Agency in Fort Lee, Va. Troops were also consuming chili, chicken, lasagna, pizza, shrimp, roast beef, spaghetti, barbecued spare ribs and steak at a great rate.

In the Navy, Capt. John Anderson of the Foodservice Systems Office says the most popular menu items in 1987 included the ubiquitous hamburger plus chicken, shrimp and Oriental entrees.

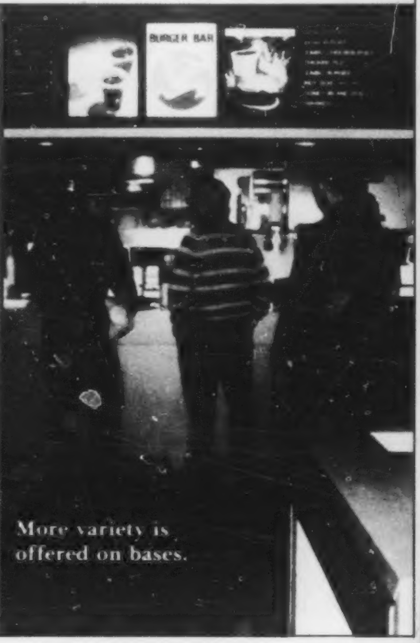
At the Allied Clubs Branch, NATO, AFSOUTH, the most popular entrees included veal Oscar, prime rib and steak.

Those in charge of the nation's prisons are also trying to upgrade the quality and to offer more options. In part, the changes have resulted from prisoner demands and resulting lawsuits. In other cases, the motivation is not mandated but still necessary.

"If you happen to serve lukewarm instead of hot soup," said a prison dietitian, "it's real easy to end up with a riot on your hands."

With the increase in drug use—and resulting arrests—many more prisons are filled to capacity. "Other" institutional foodservice purchases, which include prisons, is about $1 billion and expected to increase 0.5% during this year.

> "I expect our popular menu items in 1990 will be burgers, chili, chicken, lasagna, pizza, shrimp, roast beef, spaghetti, ribs."
>
> —Flo Dunn
> U.S. Army Troop Support Agency



More variety is offered on bases.

INSTITUTIONAL GIANTS

1

MICHIGAN STATE UNIVERSITY
East Lansing, Mich.
F&B purchases: $13 million
No. of meals/year: 8 million
No. of employees: 950 full-time; 3,600 part-time students
Labor costs: $7.1 million

New menu items introduced in 1987 included three-cheese pita; stromboli; seafood strudle; walnut chicken stir-fry.

2

PENN STATE UNIVERSITY
University Park, Pa.
F&B purchases: $10.4 million
No. of meals/year: 6 million
No. of employees: 750
Labor costs: $9 million

New menu items introduced in 1987 included stir-fry; "chewy" cookies; omelets; croissant sandwiches; a variety of food bars.

3

BRIGHAM YOUNG UNIVERSITY
Provo, Utah
F&B purchases: $8.1 million
No. of meals/day (excluding Sundays): 30,000
No. of employees: 114 full-time; 1,200-1,400 students
Labor costs: $5.1 million

New menu items introduced in 1987 included beef and Cheddar sandwich.

4

RUTGERS UNIVERSITY
New Brunswick, N.J.
F&B purchases: $6.6 million
No. of meals/year: on contract: 3 million; cash sales: $1 million; catering: $700,000
No. of employees: 400 full-time; 300 part-time
Labor costs: $5.8 million

New menu items introduced in 1987 included Cajun catfish; individual pizzas; vegetarian chili.

5

UNIVERSITY OF PENNSYLVANIA
Philadelphia, Pa.
F&B purchases: $6.1 million
No. of meals/year: 2.6 million
No. of employees (full-time equivalent): 803
Labor costs: $7.8 million

New menu items introduced in 1987 included salmon soup; brown rice; linguine bouillabaisse.

COLLEGES

Today, residence halls are much more homey. Many have suites and dining areas that are very attractive.

Not until the early 1960s did college administrators start to think of residence halls as more than dormitories—with bathrooms located down the halls and "no-frills" foodservice. "We kind of had the attitude of 'take it or leave it,'" explains one college foodservice director.

Today, college residence halls are much more homey. Many have suites and dining facilities that are attractively decorated. "We really didn't have a choice," says one college director. "Kids started to demand options. We had to offer them."

"Options" have meant everything from a variety of board plans and point systems to food courts and elegant restaurants. Many colleges also have become franchisees, as well. There's a Carl's Jr. at the University of Southern California, a Burger King at California State-Sacramento, and the union at Michigan State University boasts Häagen-Dazs ice cream, a Burger King, Little Caesars pizza and Hobies (sub and soup). Students at the University of Pennsylvania can remain on campus and still eat in Wendy's and Skolniks. A soon-to-open food court will house Pat's Steaks, Hillary's Gourmet Ice Cream, Domino's pizza and Levi's Franks.

Many colleges have also seen the economic feasibility of opening convenience stores. "The kids were going off campus to purchase frozen pizza, snacks, batteries for radios, sodas and ice cream," says one university foodservice director. "We figured it made

continued on page 73

University of Iowa menu selections for students.

INSTITUTIONAL GIANTS

COLLEGES

Many college foodservice departments have seen the economic feasibility of opening convenience stores.

continued from page 68

much more sense for us to sell them the products. We also have a chance to garner more of commuting students' dollars by offering these services, too."

Many colleges and universities are no longer just providing their baked goods to their residence hall cafeterias. They are opening retail operations that offer students (and, discreetly, the public) items such as on-campus-baked cookies, cakes, cinnamon rolls and other confections.

What else are college and university foodservice directors doing to keep those elusive foodservice dollars on campus?

At the University of Minnesota, the foodservice department recently implemented a grab-a-bag lunch program and an outdoor brat stand.

A series of sesquicentennial Michigan birthday parties were held at Michigan State University last year. Michigan food products were served while Michigan craftspeople, such as potters, demonstrated their skills.

Catering revenue dollars were up 50% last year at Penn State University.

A new gourmet coffee shop was added to an existing retail bakery outlet at the University of Tennessee. Promotions included drawings for free prizes, free samples of gourmet coffee and the establishment of a UT coffee club. Sales increased 280%.

Specialty dinners at the student center of North Carolina State University (promoted through student newspaper ads and flyers distributed to residence halls) increased sales 20%. R&I

(Research by Nancy Schultz)

6

CORNELL UNIVERSITY
Ithaca, N.Y.
F&B purchases: $6.8 million
No. of meals/year: 5.4 million
No. of employees: management, 40; professional, 342; students, 650

New menu items introduced in 1987 included soft-serve ice cream; tempura-battered foods for Chinese takeout; New York street-style hot dogs.

7

UNIVERSITY OF ILLINOIS
Champaign, Ill.
F&B purchases: $6 million
No. of meals/year: 5.4 million
No. of employees: 351 full-time; 1,300 part-time students
Labor costs: $5 million

New menu items introduced in 1987 included cheese-and-bread and soup-and-bread bars (as entrees); seafood bars; tapas bars; pork lo mein.

8

UNIVERSITY OF NOTRE DAME
Notre Dame, Ind.
F&B purchases: $5.6 million
No. of meals/year: 7.1 million
No. of employees: 1,000 (including students)
Labor costs: $4.6 million

New menu items introduced in 1987 included Romano chicken; pasta bar selections; Chinese hero sandwich.

9

UNIVERSITY OF MICHIGAN
Ann Arbor, Mich.
F&B purchases: $5.3 million
No. of meals/year: 2.9 million
No. of employees: 192 full-time
Labor costs: $5.6 million

New menu items added in 1987 included Dakota chicken; chocolate chunk cookies; catfish; Black Forest cheesecake; Mexican pizza.

10

UNIVERSITY OF MINNESOTA
Minneapolis, Minn.
F&B purchases: $5.2 million
Number of transactions in 1987: 6.6 million
No. of employees: 500
Labor costs: $5.8 million

New menu items introduced in 1987 included jumbo muffins; gourmet cookies; Kentucky hot brown salads; Oriental dishes; fruit plates.

OTHER BIG PLAYERS

☐ **North Carolina State University**
Raleigh, N.C.
F&B purchases: $2.7 million
Number of meals served/week: 64,000

☐ **Texas A&M University**
College Station, Texas
F&B purchases: $4.6 million
Number of meals served: 7.7 million

☐ **University of Iowa**
Iowa City, Iowa
F&B purchases: $3 million
Number of meals served: 2.5 million

> "Popular menu items today include burritos, taco salads and hamburgers. In 1990, we'll be serving more ethnic items."
>
> —William H. Williams
> The Wisconsin Union

MENUS

R&I DATA

FOOD COST INDEX: NEGATIVE INDICATORS ARE A POSITIVE SIGN FOR OPERATORS

The market-basket total for the end of April is $95.76. This is down from the $105.90 market-basket total for the beginning of the month. Chicken prices are higher, particularly in the South, where operators are paying $1.52 a pound. Lettuce prices are showing signs of recovery. The cost for breaded fish portions shows an increase of 89% from the beginning of the month. This large percentage increase is due in part to a low cost of $1.13 reported at the beginning of the month.

		% change	
	4/29/88	4/1/88	4/87
Hamburger (lb. 85% lean)	$1.42	8	15
Chicken (lb. cut for frying)	1.02	36	28
N.Y. strip steak (lb./avg.)	3.27	9	−10
Bread (Pullman loaf)	.76	1	−8
Lettuce (iceberg/head)	.75	−29	39
French fries (30 lb.)	10.61	−3	0
Tomatoes (lb.)	.53	−16	4
Milk (gal.)	1.95	19	11
Eggs (doz.)	.66	0	−4
Peaches (case/#10)	14.27	−21	−19
Peas (case/#10)	9.52	−14	−25
Frozen beans (30 lb.)	12.73	−15	−17
Ice cream (vanilla/gal.)	3.16	−1	−7
Butter (lb.)	1.60	5	−5
Cheddar cheese (lb.)	1.56	−7	−1
Sugar (100 lb.)	27.65	−10	−2
Coffee (lb.)	2.16	−6	−14
Breaded fish portions (lb.)	2.14	89	23

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FOOD PRICE UPDATE

Soy Product Introductions Soar in the '80s

Tofu, tempeh, soy milk, and soy ice creams are most popular entries

Soy is moving rapidly into the mainstream of food products. Today's trend toward lighter eating, a willingness to try new foods, along with a better-educated consumer, have helped soy food introductions to increase more than 653% since 1977, according to The Soyfoods Center.

Made from soybeans, America's second largest farm crop, soy food products contain no cholesterol or lactose, and are usually low in fat and calories. They can take a multitude of forms, from burgers and hot dogs to ice cream, milk, cheese, yogurt and salad dressings.

During the 1950s, an average of 11 new soy food products were launched each year in the United States. This number increased to 16 during the 1960s and 26 during the period of 1970-1974. Most of these new introductions were based on modern, high-tech soy protein products, such as soy protein isolates and concentrates, or textured soy flour.

Then, in the late 1970s, the number of new product introductions began to rise rapidly. It reached 78 in 1976, 162 in 1979, 224 in 1982, 296 in 1985 and an all-time high of 330 in 1987.

Most of the growth in new products since the late 1970s has come from traditional, low-tech products such as tofu, tempeh (which has a texture and flavor like Southern-fried chicken), soy milk, miso (a savory high-protein seasoning), soy sauce and soy nuts, plus modern dairy-like soy foods such as soy ice creams, yogurts and cheeses.

In the United States, tofu was a major ingredient in 41% of the new products, followed by soy milk (9%), tempeh (9%), soy ice creams (8%) and isolated soy proteins (8%).

Leading product categories were: basic soy foods (21%), dairy-like products (17%), meat-like products (14%), entrees (11%), beverages (6%), ice creams (5%), and dressings, dips and spreads (4%).

In other news. The USDA is now reviewing consumer comments on its proposal that leaner beef, now graded Good, be renamed Select to give it a classier image. Public Voice and other activist groups support renaming this grade. The Good tag has been with this leaner, usually less tender beef for years.

—Kathleen Marshall

The spring thaw has unfrozen the price of many fruits and vegetables.

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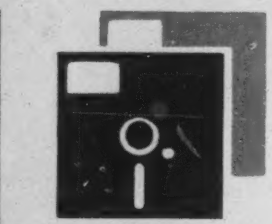

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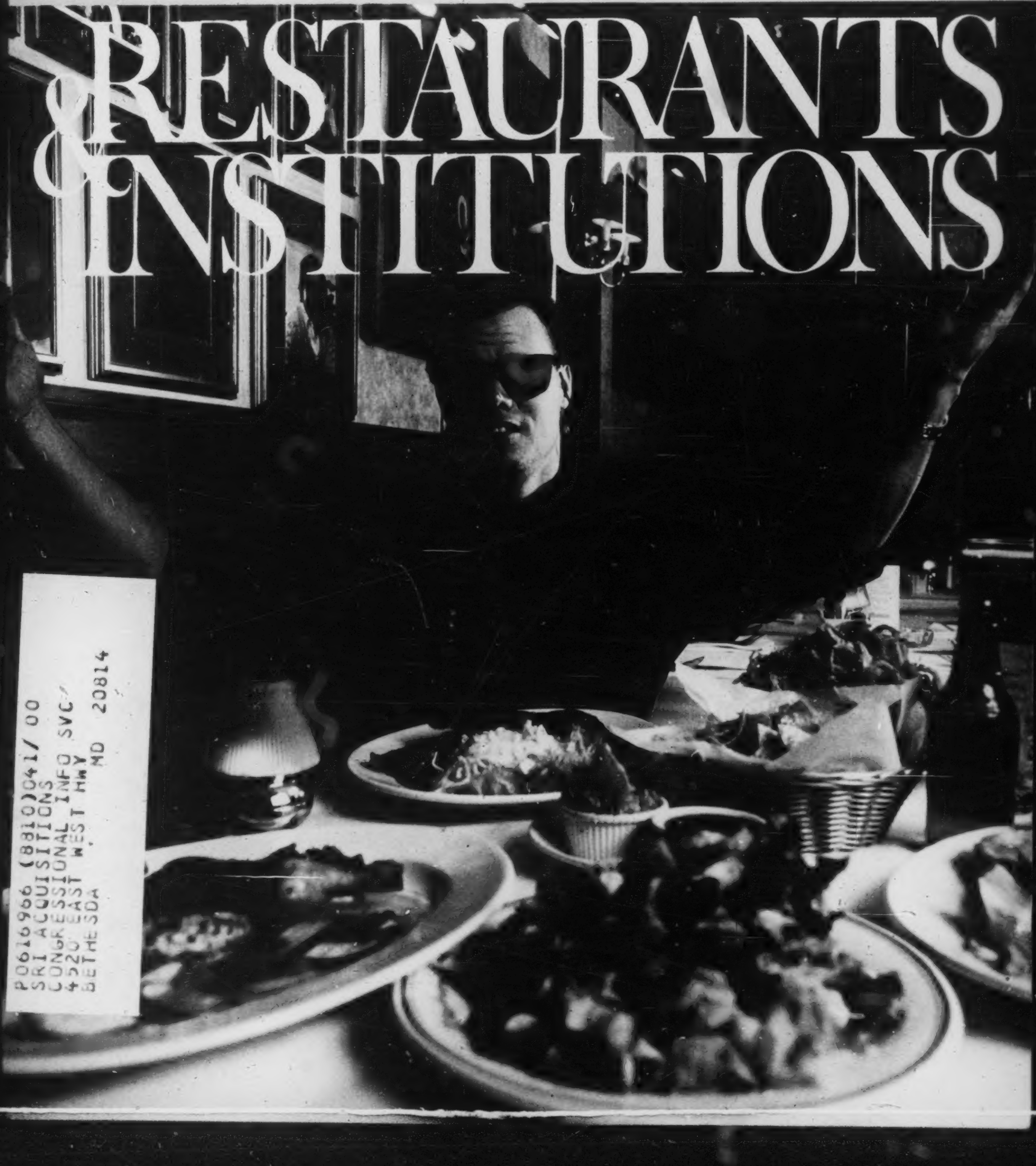

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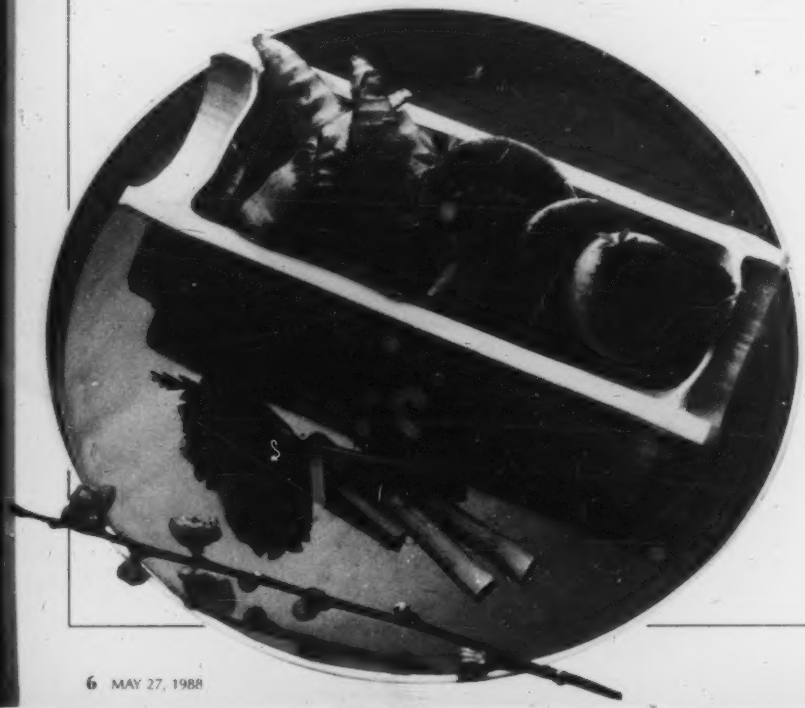

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R&I REPORT

CITY BEAT

Indianapolis: The Race Is On

Restaurant openings outstrip customer base in rapidly growing downtown area.

The city known primarily for its 500-mile auto race held every Memorial Day weekend adds a few more trophies to its shelf: a domed stadium and convention center, a train station revitalized with shops and restaurants, and a world-class zoo opening in June.

With all this growth and development, the restaurant business in Indianapolis should be booming, right?

"Just the opposite," says Dick Smith, general manager of King Cole, a city landmark and one of the downtown area's oldest restaurants.

Despite increased activity downtown, many operators have seen ther sales volume decrease because so many restaurants have opened recently. Restaurants have been opening downtown at the rate of one a month since 1983, says Ann Wolman, a manager at the Indianapolis Project, a privately funded public relations organization for the city. Smith and other operators agree with the figure. The population of metropolitan Indianapolis is 1.2 million.

"The boom that everyone has talked about for so long has not happened," Smith says. "Business downtown is better than it used to be—much better—but not to the extent that it can support as many restaurants as have opened. Not yet, anyhow."

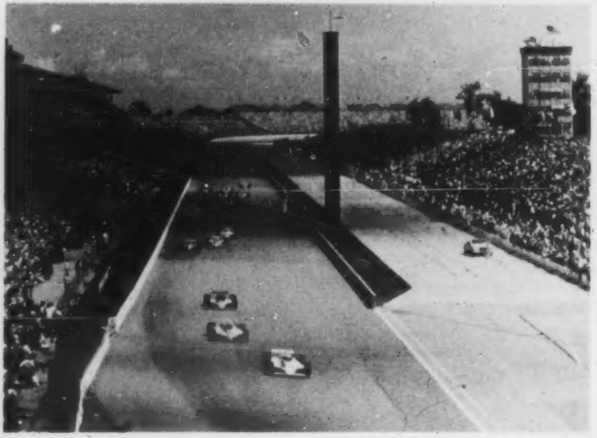
Rick Rising-Moore, president of McDuff Inc., which operates seven Indianapolis restaurants, concurs: "There is a shake-up going on now. The people who can run a business will be survivors, and those who can't are not going to make it."

That may change. A flurry of major athletic competitions will bolster the city's claim to be the "Amateur Sports Capital of the World" and bring thousands of people into town as well. Indianapolis will host five Olympic trials this summer, including track and field. The Pan American Games, held in Indianapolis last summer, brought international attention to the city.

Rising-Moore and Smith are cautiously optimistic that these developments and others will create a large enough market to support the city's burgeoning restaurant industry.

Fletcher Boyd, president of Downtown Indianapolis Nightlife and Entertainment (DINE) and owner-manager of Fletcher's American Grill and Cafe, sees some advantage in the proliferation of restaurants downtown.

"Indianapolis used to be a chain-restaurant town. All of the major chains from across the country use Indianapolis as a testing ground," Fletcher says. "In the past three to five years, most of the restaurants built have been independent operations. There is now a lot more excitement, a lot more variety." *—George Curran*

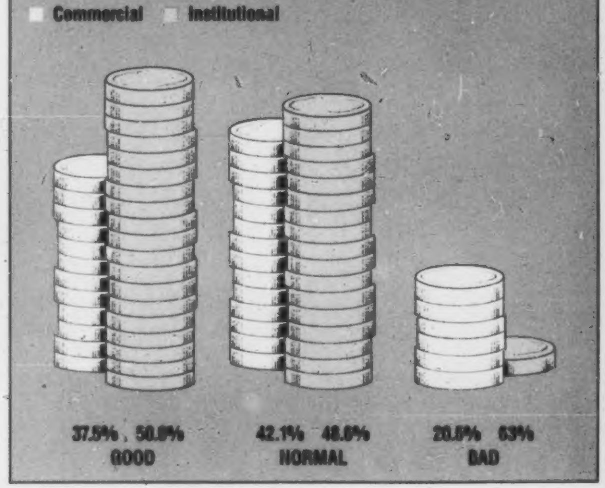


Downtown Indianapolis emanates from Memorial Circle (r.). The speedway (below) is now but one of several tourist attractions.

R&I DATA

SALES NOW: FAST-FOOD FALLOFF?

Commercial operators reporting sales conditions as bad in the first quarter of 1988 jumped 100% over the previous quarter to 20.5%. More than 28% of fast-food operators say sales were bad in the first quarter, compared to only 6.3% in the final quarter of 1987. Among the institutions, sales conditions returned to normalcy in early '88 after a sensational finish in '87. Employee feeding was the only segment to report improving conditions.



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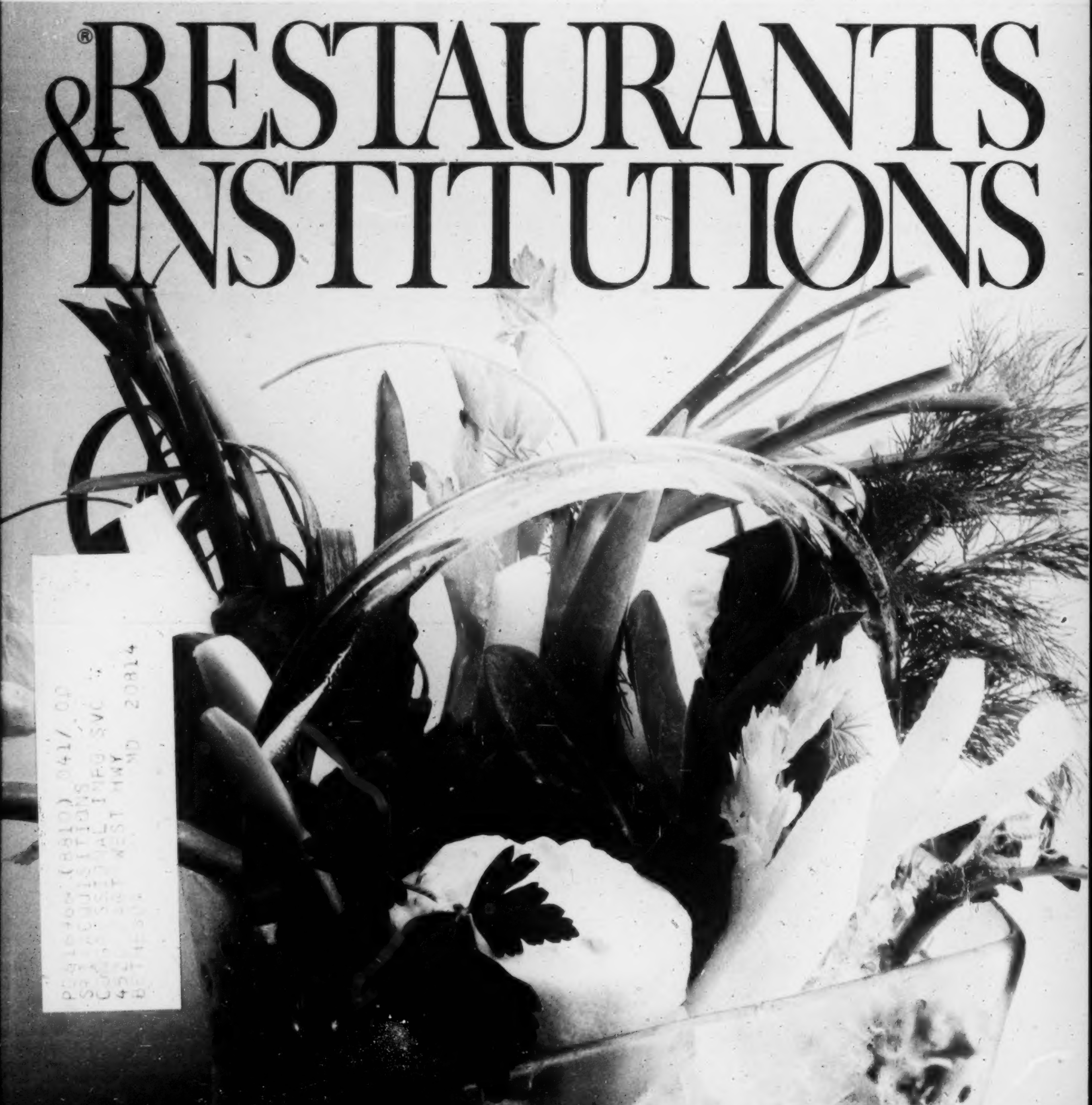

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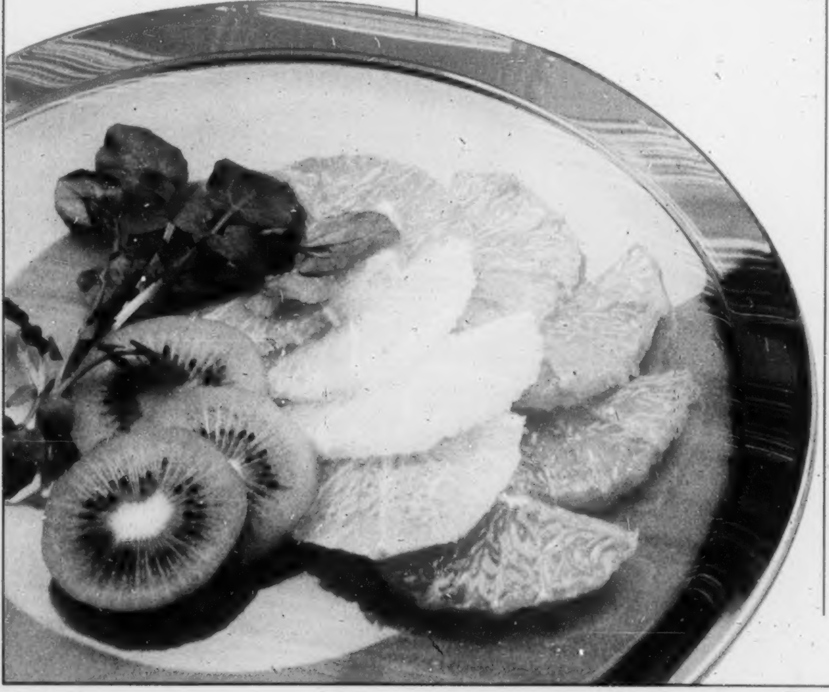

■ MARKETING

Advertisers Responding to Direct-Mail Clutter

Personal approach is needed to stand out in what has become a crowded field.

Eight years ago, 200 of Round Table Pizza's 300 operators voluntarily participated in direct-mail advertising programs. Today there are 550 units, but still only 200 are using direct mail to draw customers. Many of those franchisees who refuse to get involved are concerned about mailbox clutter and its effect on patron response.

"When we started doing direct mail about eight years ago, the makeup of the mail was different," says Glen Kronewetter, vice president of marketing for Round Table Franchise Corp. "Direct mail was an innovative tool that generated a lot of response and set us apart from the competition.

"But now there are more mediums in the direct-response category, and consumers are receiving such volumes they often don't look at what they receive," says Kronewetter. "It's still a great tool, but I have seen the response rate fall off."

Nevertheless, direct mail remains one of the most popular marketing vehicles of the '80s. The average redemption rate for four-color free-standing newspaper inserts has dropped from 5.6% to less than 4% in the past five years, forcing more operations to look at options such as direct mail. But experts say a simple two-color direct-mail coupon illustration may no longer be enough to capture consumers' attention when their mailboxes are stuffed with value packs, miniature menus and more. Imagination and personalization are the keys to successful direct-mail marketing today.

"Restaurants draw from a geographic area or an identifiable group," says John Jay Daly, a Washington, D.C., creative communications consultant specializing in direct mail. "Find out who they are and mail to them with some degree of regularity. Once they come into your restaurant, get their names and addresses in some discreet way and cultivate the friendship. Write them. Do anything you can to be personal."

That is just what Allan Post is doing at Carlson Co.'s Country Kitchen, and so far with smashing results.

"We are hand writing messages on post cards," says Post, senior vice president of marketing. "It has the name, a date, a greeting and a message concerning a free offer about a new product. We'll say something like, 'Come on in and try it. Be my guest. I'm so proud of this new product I want you to try it. And as a neighbor, you should have first shot at it. And when you come in, ask for me or my manager. I'd like to know how you like it.'"

To keep a lid on costs for what sounds like an expensive proposition, Post says he hires high school students to come in after school and write out the post cards with a ball point pen. Instead of running the post cards through a postage machine, a real stamp is affixed. About 20 or 30 cards are sent out each day.

However, many franchisees are still cool to the idea because of the expense. "We may never see franchisees give something away," says Post. "They are very shortsighted in that regard."

In response, Post says, "Wouldn't you rather spend 40 cents to get a new customer in the door than 10 cents and get the same guy who comes in every week anyway?"

Reponse for direct-mail pieces had been between 4% and 8%. With Post's new plan, response has been as high as 25%.

At Domino's Pizza, the answer to the clutter problem is much simpler. "We try to maintain a strict rotation of solo pieces and the various forms of cooperative mail," says Burke Cueny, director of national field marketing. "We'll vary the size and colors to stay top of mind with consumers."

Among independent operators, direct mail costs even more per person reached. "But the quality of the person you reach and the ability to be very directed in terms of your message makes up for the differ-

SPECIALIST IN DELIVERY & CARRY-OUT
825-5855
"THE BES
Brown's Chicken
It tastes better.
Winter Warm-
ecials
7305 WAUKEGAN
NILES
Snuggery
PRESENTS THE
FREE MEAL DEAL
A SPECIAL GIFT JUST FOR YOU FROM YOUR FRIENDS AT THE SNUGGERY
(PLEASE LIFT FOR DETAILS)
WINGS
$2.49 SINGLE ORDER
SAVE $2.00 on FEAST NO. 8
INCLUDES
8 Pieces
2 Biscuits
2 Orders of Fries
1/2 lb Cole Slaw

Today, mailboxes are flooded with direct-mail offers.

POPULAR FORMATS
Coupons and value packs are cited by managers as the leading forms of direct mail.

OAKLAND
MAR 22 '88
CALIF.
U.S. POSTAGE
0.7 3

Coupon/discount	**64%**
Co-op/value pack	**20**
Miniature menu	**15**
Calendar of events	**14**
Giveaway	**11**
Letter/invitation	**9**
Newsletter	**7**
Post card	**1**

Source: National Restaurant Association Gallup survey, 1987

ence," says Dawn Reithel, director of marketing for Lettuce Entertain You restaurants.

To offset the cost of expensive mailing lists, Lettuce has developed its own list throughout the years by leaving a space on past promotions for customers to fill in their name, address and birthday. The recent introduction of the Lettuce personal credit card also has helped expand the list. About 13,000 people have signed up for the card, and all those names have been added to its list. The only time Lettuce pays for an outside list is when its objective is to generate new customer trial.

Reithel stays away from cooperative mailings (in which coupons from 10 to 12 different types of businesses are enclosed in one envelope) because she says she loses control over with whom Lettuce is positioned. "We also have to make compromises over whom it will be mailed to as well," says Reithel. "They are mailed to a group every advertiser is happy with. It is important to stay as targeted as possible."

But smaller chains and independents are forced to go the co-op route because of price constrictions, especially in larger markets where they might have only one unit.

Bobby Rubino's, a Fort Lauderdale, Fla.-based midscale barbecue chain, has had great success with co-op direct mail and has gotten around the image and clutter problem by putting together a higher quality four-color piece.

"We try to go with a real strong headline and stay away from heavy copy," says Rubino's marketing executive Janice Kinker. "I know we have to put up with a lot of clutter, but I think people are looking for more value these days."

A new drawback to direct mail is increased postal rates. Third-class bulk postal rates went up about 25% in mid-April. What used to cost Domino's $78 per 1,000 direct-mail pieces now costs $92 per 1,000. "The postal service is forcing us to look at alternative methods," says Cueny.

Jim Rohr, director of advertising for Brown's Chicken, says higher postal rates also should force chains to better manage their mailing lists, gearing them more toward known customer bases.

On the other hand, increased postal rates could help diminish the volume and help cut the clutter. The postal service says the new rates should cut volume by 6%. Other marketing experts say it will decrease 20% to 30%. ***—Jeff Weinstein***

REACH OUT TO OLD CUSTOMERS

One underutilized direct-response marketing tool is the telephone. It can best be used to express good will. Customers who have not been in a particular restaurant for a while will be pleasantly surprised when they get a call from the owner saying he is looking forward to seeing them soon.

Riggio's Cordially Invites You To Enjoy A
LUNCHEON

Riggio's
698-3346 Restaurant

Riggio's Cordially Invites You To Enjoy A
FREE DINNER
YOU AND YOUR GUEST ARE INVITED TO ENJOY A 2 FOR 1 DINNER FROM THE PASTA SECTION OF OUR MENU WHEN THE SECOND

$1.00 off

J.D. KADD'S
PIZZA
"YOU DESERVE THE BEST"

$1.00 off
ANY PIZZA

Hello Taco Bell.
1701 MILWAUKEE AVE • GLENVIEW
9480 WAUKEGAN RD • MORTON GROVE
GOLF MILL SHOPPING CENTER • NILES

TACO BELL. FREE BURRITO SUPREME When You Buy One

TACO BELL. FREE SOFT TACO SUPREME When You Buy One

TACO BELL. FREE TACO When You Buy One

TACO BELL. The Works! Only $2.99

ACTION EXPRESS

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JULY 8, 1988

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A CAHNERS PUBLICATION SERVING THE TOTAL FOODSERVICE INDUSTRY

**JOE LEE, PRESIDENT
GENERAL MILLS RESTAURANTS
R&I EXECUTIVE OF THE YEAR**

Part I: Financial Report

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THE TOUGH GET GOING

Financial gains of the giants were secured by corporate streamlining and back-to-basics strategies.

In spite of a stock market cataclysm and all kinds of economic uncertainties, 1987 was a much better year than industry experts led us to believe, and the performance of the 1988 *R&I* "400" proves this. Last year's "400" was the first to go over the $100 billion mark in sales, $102,432,540 to be precise, with a 50.5% share of the total foodservice pie.

The 1988 "400" had even more robust numbers. Total sales hit $113,146,100, an increase of $10.7 billion, or 10.4%. Discounting 4.1% inflation for food away from home, the real growth of this year's "400" comes to a very strong 6.3%. On the basis of this, the "400" share of the foodservice industry increased to 51.6%. Therefore, even though some individual companies are struggling or static, this positive showing by companies representing half the industry says foodservice is healthy.

This year's "400" operated in a climate full of change and uncertainty. Merger and acquisition activity was at an extremely high level, thereby destabilizing the foodservice industry to a significant degree. The buying and borrowing led to selling and cost-cutting; the funds ordinarily used for capital investment were limited and this put expansion plans for many "400" companies on hold.

In many ways, the "400" was focused internally. Streamlining of corporate operations was a main concern; once-extended product offerings were scrutinized, as quality items that contributed to the bottom line became more important than variety. Unit expansion declined drastically, and the strategy was to maximize return on existing units by holding on to present customer bases. The best way to do this was to seek differentiation in service quality, a process that is now a priority across the industry. Overall, the "400" posture was conservative.

The perennial question is who made the "400" grow and why. As

RESTAURANTS & INSTITUTIONS

'400' COMPANIES AND THE INDUSTRY

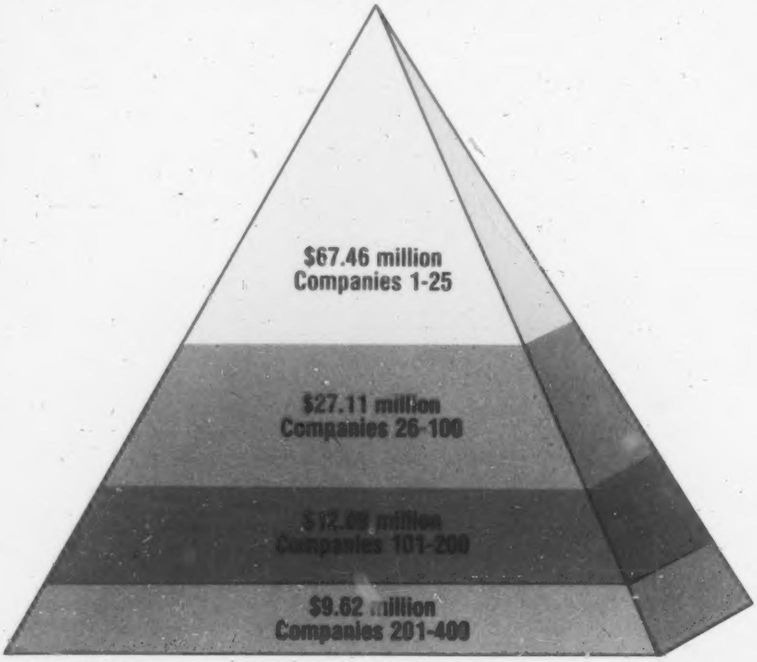
Total sales for the "400" rose sharply to hit 51.6% of total foodservice sales in 1987, only the second time the group has ever accounted for more than half of the industry's sales. The "400" sales total of $113 billion was a 10.4% increase from the previous year. When inflation for food away from home (4.1%) is factored in, the real growth rate is 6.3%, up from 4.7% in 1986.

	'65	'70	'75	'80	'86	'87
Total U.S. foodservice market sales ($ billion)	31	47	78	129	203	219
Total "400" company sales ($ billion)	10	18	33	62	102	113
Inflation rate based on CPI for food away from home	2%	7%	9%	10%	4%	4%
"400" companies as a percent of foodservice industry	32%	38%	42%	48%	50%	52%

All figures are rounded to the nearest whole number. Total sales figures for "400" corrected to omit duplication—franchisee sales and catered airline volume subtracted.

'400' POWER CONCENTRATED AT THE TOP

Although many companies in the lower ranks showed good sales growth in 1987, the bulk of the "400" sales still come from the handful of companies at the top. The top 25 organizations account for more sales than the remaining 375 companies combined. Sales for the second tier of companies, ranking 26-100, are less than half of the top 25.



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400: OVERVIEW

With an $10.7 billion increase in food sales, real growth of this year's "400" comes to 6.3%.

400

NEW TO THE '400'

- American Restaurant Group Inc.
- Amerinet/Valuefood Div.
- Azar's Inc.
- Beacon Hotel Corp.
- Buffets Inc.
- CHE Inc.
- Classic Prime Ltd.
- E&A Restaurants of South Florida Inc.
- Fat Boy's Bar-B-Q Franchise System Inc.
- Franchise Associates Inc.
- Furr's/Bishop's Cafeterias L.P.
- Happy Joe's Pizza & Ice Cream Parlor Inc.
- Hard Rock Cafe
- Hardin Group
- Health Care & Retirement Corp.
- Horizon Hotels Ltd.
- Knott's Berry Farm
- Lackmann Food Service
- National Heritage Corp.
- North Carolina State Dept. of Corrections
- Paragon Restaurant Group Inc.
- Pietro's Corp.
- Pointe Resorts
- Restaurant Enterprises Group Inc.
- Ruth's Chris Steak House Inc.
- Sis Corp.
- Six Flags Corp.
- Skyline Chili Inc.
- Straw Hat Cooperative Corp.
- Stuckey's Corp.
- Sunquest Systems
- T.J. Cinnamons Bakeries
- Treadway Inns
- Wenar Corp.
- Wendcoast Corp.
- Wendy's of Fort Wayne

always, we can begin by quickly looking at the top tier of the "400." The first 25 companies accounted for $67.46 billion, or 59.6%, of "400" sales. The top two companies, McDonald's and PepsiCo Foodservice accounted for one-third of the "400" sales gain.

McDonald's sales rose $1.9 billion, the largest annual advance in the company's history. Gains were equally divided between U.S. and foreign units. As expected, the impetus came from continued high average unit volume ($1.5 million, a 10% increase over the previous year) and meeting the annual company goal of opening 500 stores (501 to be exact). Systemwide sales, total revenues and net income all reached record levels. Finally, the company reported record results for the 91st consecutive quarter since becoming a publicly held company.

PepsiCo's increase of $1.2 billion was achieved principally through acquisition of Kentucky Fried Chicken, which it held for only part of 1986. It continues as the "400" leader in commercial units with 16,407 (combining KFC, Pizza Hut and Taco Bell) versus 9,159 for McDonald's.

Among "400" institutions, the largest is the U.S. Department of Agriculture (ranked No. 5) with commercial equivalent sales of $3.1 billion; it is far and away the unit leader with 90,180. The next largest institutional organization is the U.S. Navy Food Systems (No. 24) at $800 million sales equivalent.

Highlights among the top 10 "400" companies include: Pillsbury streamlining by preparing to sell off unprofitable holdings; Marriott dividing its hotel and restaurant divisions and selling off Big Boy franchising rights; Wendy's slowly righting itself and rolling out the SuperBar; ARA growing through acquisition into new markets; Hardee's failing to overtake Wendy's in total sales but pulling ahead with larger AUVs; International Dairy Queen acquiring Orange Julius and Karmelkorn Shoppes and combining them in Treat Centers; opening stores at the rate of two per day, Domino's moved from the 12th spot to No. 10 on the strength of 32% growth.

The top 25 growth leaders outpaced the entire "400" by 50%. Big winners were Restaurants Unlimited, Pantera's, Mrs. Fields and TCBY, among others. Riding its very successful Cinnabon concept, Restaurants Unlimited went from No. 313 to No. 193, a 95% improvement. TCBY increased its units by 80% and sales by 70%.

In tune with the takover mania that seized the country, some companies acquired others and quickly climbed the "400" ladder. The David-and-Goliath deal of the year was 115-unit Pantera's purchase of 672-unit Pizza Inn, plus an additional 40 units from Godfather's, to become the fifth-largest pizza chain in America and move from No. 232 to No. 61 on the "400" list. Two other similar buys came close. Steve's (30 units) bought Swensen's (340 units) and Oberweis (7 units) took over Bresler's (300 units). The biggest percentage increment was registered by Mrs. Fields, which acquired La Petite Boulangerie and saw total sales jump 246%.

While some companies acquired, others divested. Marriott sold off its franchising rights to Big Boy. After its leveraged buyout, Southland sold off 1,000 stores to reduce debt. Companies such as Pillsbury were actively seeking buyers for many of their smaller concepts.

One area remained a quick and viable way to expand—franchising. Foodservice franchising sales increased 8.6% to $56.8 billion in 1987, while 1988 sales are projected at $63.2 billion, which represents 44% of the commercial market. Franchised units grew from a 1986 total of 78,000 toward a projected 90,000 at the end of 1988. And international territories were the hottest tickets. By the end of 1987, 6,800 franchised units were operating in major countries outside the United States. Japan leads in franchised foodservice units.

Franchisees continued to become more knowledgeable and organized, thus forcing parent companies to treat them as partners. Companies successful at franchising, such as USACafes, Subway Sandwiches & Salads, and Arby's, have structured new approaches that maintain incentive and profitability.

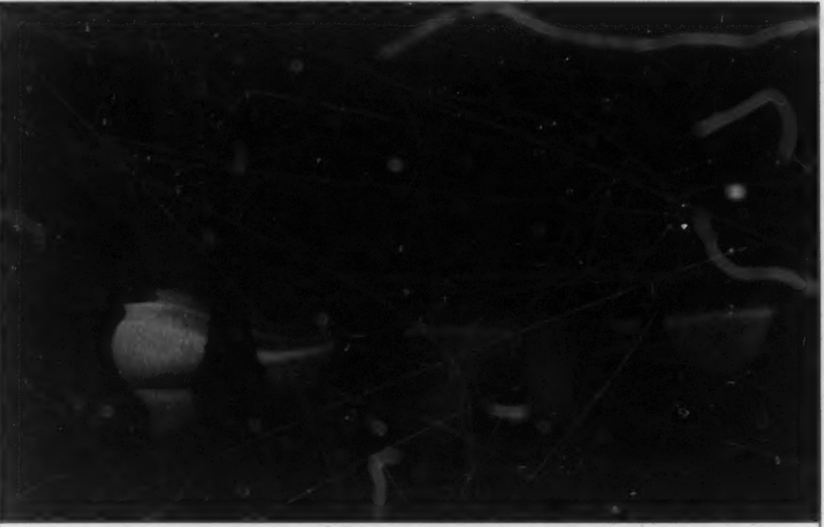
Two other major trends marked "400" activity. Food testing in 1987 was at peak levels as a huge number of products were rolled out and many rolled back. The food of the year was the packaged salad, introduced in quantity by McDonald's; it should become one of the hottest items in foodservice.

Chains accelerated testings in order to more quickly find what consumers wanted. Losers were Rax's breakfast bar, Burger King's barbecue burger, McDonald's mini-pizza and Long John Silver's broiled fish. Products that succeeded were mini-sandwiches, frosty desserts, food bars, and broiled or roasted chicken sandwiches. And the testing goes on unabated.

Few, if any, original restaurant concepts saw the light in 1987. General Mills' successful Olive Garden continued to grow, with competition from Grisanti's and some other Italian chains. However, most chains were sticking to the familiar. Rather than inventing new concepts, many companies preferred a "return to the basics and what we know how to do" philosophy. If there was any experimentation, it was in finding ways to speed up service and crack both the delivery and takeout markets.

There were 39 newcomers to this year's "400". Some made the list through acquisition such as American Restaurant Group, while others gained independence through divestiture, such as Sis Corp. and Six Flags. The two smallest of the newcomers were Hardin Group of Thousand Oaks, Calif., a franchisor of Penguin's Frozen Yogurt which jumped from $14 to $30 million sales in a single year, proving the growing strength of the yogurt market. This year's No. 400 was Happy Joe's Pizza & Ice Cream Parlor, Inc., which proves that basic tastes are still on the road to success.

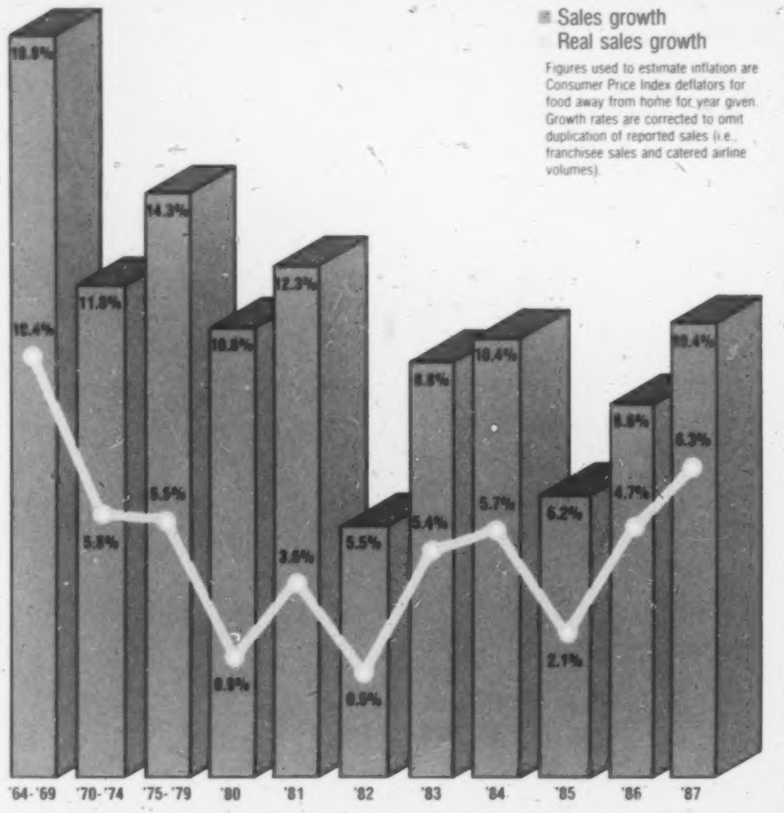
In sum, the "400" displayed energy and movement, but there was no great thrust by anyone, rather a collecting of resources and a keen look around to see where the best prospects lay. If there is the seed of a future trend in this year's "400" activity, it may be the growing willingness to cross lines between segments and operating styles, thus making multisegment and multiconcept companies the potential winners of the future. —*Michael Bartlett*



Smart "400" companies are concentrating on reforming internal strategies.

'400' POSTS BEST REAL GROWTH FIGURE OF THE DECADE

Despite operational problems at some major chains and sluggish sales in the midscale restaurant segment, the "400" as a whole did very well in 1987, with real sales growth hitting 6.3%. This is the best showing of the decade, surpassing even a banner year in 1984, when sales grew 5.7%.



Figures used to estimate inflation are Consumer Price Index deflators for food away from home for year given. Growth rates are corrected to omit duplication of reported sales (i.e., franchisee sales and catered airline volumes).

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400: PROFILE

PORTRAIT OF A POWERHOUSE

Joe Lee makes General Mills unique among food companies with restaurant divisions.

By all accounts, Joe Lee, president of General Mills Restaurants, is a nice guy. He's smart, articulate, able to galvanize people into action when action is needed and doesn't hog credit for the company's success.

Top executives at General Mills Inc., however, don't care much about Lee's charm or soft Southern accent. They're impressed with the nice sales and profits Lee's company produces for the Minneapolis-based food giant.

Those numbers look especially good this year. General Mills Restaurants is one of the few thriving dinner house operators listed in this year's "400." The company posted sales of $1.28 billion for fiscal 1987, ended May 31, 1987, and projected sales of $1.45 billion for fiscal 1988. The chains that make up the company—Red Lobster, York's steakhouses and The Olive Garden—account for 25% of General Mills' sales, which totaled $5.19 billion for 1987. That figure was expected to hit $5.8 billion for fiscal 1988.

These numbers are good by industry standards and even better considering the predicaments other food companies face as they juggle consumer foods and restaurants. "The philosophy of General Mills Restaurants is to identify consumer needs, then do everything we can to efficiently fulfill those needs," says Lee.

Almost all restaurant executives pay lip service to that philosophy. Lee has the experience to carry it out. He joined founder Bill Darden at the first Red Lobster restaurant, which opened in 1968 in Lakeland, Fla. After General Mills bought the blossoming chain in 1970, Lee moved up through operations. He was named vice president of operations in 1972, president and chief executive officer in 1975 and president of the newly formed General Mills Restaurant Group in 1979. In 1980, he was named executive vice president of General Mills and was elected to the board of directors in 1985.

Along the way, Red Lobster picked up the executives that today run General Mills Restaurants. Bill Hattaway joined Red Lobster in 1974 as a seafood buyer and was named president of international in 1987 after running the chain for eight years. Jeffrey O'Hara, president of Red Lobster, came to the chain in 1973 from Gener-

Lee started his career with Red Lobster 20 years ago.

al Mills' Tree House restaurants. Ron Magruder, named president of Olive Garden in 1987, joined Red Lobster in 1972. Charles Benton, president of York's, joined Red Lobster in 1980.

Being a nice guy, Lee deflects credit for the restaurants' success to the management team. "I'm real pleased with our performance," he demurs. "We have excellent people, concepts and resources."

General Mills Restaurants also has a few smart strategies in place. The company does not franchise, which simplifies the rollout of new ad campaigns and menu items. Red Lobster, one of the first players in the midpriced seafood game, was well-established before seafood became a hot and healthful concept. The chain had the foresight to set up an in-house, worldwide fish-buying network in 1971, which now protects menu offerings and prices.

When Lee talks about resources, he is talking about General Mills, which provides expansion capital and extensive consumer research. The two resources came together during the development of Olive Garden, which began in 1980. The restaurant divisions' new business and strategic research pointed to midscale Italian as a hot new concept. General Mills provided the funds for development; the first unit opened in 1982. Before the company would grant permission for national expansion, the chain had to prove its worth: 14 units were up and making money before the OK was given in 1984.

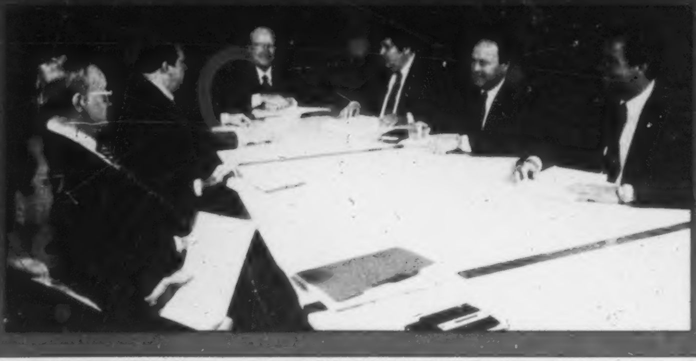
In order to pinpoint specific needs, General Mills keeps consumer products and restaurant research separate. Every three or four years, the research department in Minneapolis runs a global consumer-needs study, which is sent to both consumer foods and restaurants and analyzed separately. Future global studies are likely to uncover more restaurant concept possibilities, Lee says.

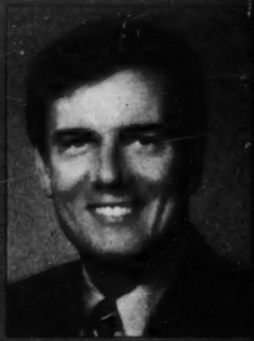
General Mills experimented with quite a few concepts and acquisitions in the 1970s and early 1980s before arriving at its current trio of chains. Betty Crocker's Tree House pie shops, for instance, proved to be ahead of their time. So did Good Earth, a healthful-foods concept. Casa Gallardo, a 35-unit chain of Mexican restaurants, was slated for expansion east of the Mississippi but ran into competition from established chains such as Chi-Chi's and El Torito. General Mills sold the rights to the Good Earth concept to franchisees in fiscal 1986. Casa Gallardo, also sold in 1986, is now part of Restaurant Enterprises Group, Irvine, Calif.

The restaurant divestitures took

GENERAL MILLS' RESTAURANT POLICY COMMITTEE

Under the 1987 restructuring plan, Joe Lee handles long-term planning, and the concept presidents take care of [illegible] operations. Payroll, accounts receivable and support services go through one central office in Orlando, Fla. Once a month, they meet as the Restaurant Policy Committee. Shown (l. to r.) are Robert Waggoner, vice president and controller; Ted Ruble, vice president of human resources; Charles Benton, president of York's; Joe Lee, president of General Mills Restaurants Inc.; Ron Magruder, president of Olive Garden; Bill [illegible], president of Red Lobster International; and Jeffrey O'Hara, president of Red Lobster USA.





JEFFREY O'HARA, president of Red Lobster USA since March 1986, joined the chain in 1973. He was named vice president of marketing and menu planning in 1978 and vice president of marketing for the restaurant group in 1980. He was president of Good Earth from 1980 to 1985.

RED LOBSTER FINDS ROOM TO GROW

Red Lobster has more than a few fish to fry lately. The 400-unit chain, expected to post $1 billion in sales this year, is focusing on lunch. Last October, restaurants began offering a 15-minute-or-free guarantee on the entire lunch menu. Lunch now accounts for 20% of total sales.

The chain is preparing to expand into California via its recent acquisition of the 28-unit Seafood Broiler chain. The West Coast presence will eventually extend into Western Canada, says O'Hara. Japan, now home to 24 Red Lobsters, is another major target market: By 1990, 60 units should be open in that country.

Red Lobster is also stepping up its involvement with the Special Olympics, one of its favorite charities. O'Hara and a group of Orlando, Fla., businesspeople will try to convince the Special Olympics Committee to hold the 1995 Games in Orlando.

400: PROFILE

Red Lobster, Olive Garden and York's together account for 25% of General Mills' profits.

RON MAGRUDER, president of Olive Garden since 1987, joined Red Lobster in 1972. During his 15 years with the company, he was chairman of Creative Dining, the forerunner of the current company, as well as president of Casa Gallardo and York's. He also handles real estate for the three chains.

OLIVE GARDEN BLOSSOMS INTO MAJOR CHAIN

In eight years, Olive Garden has grown from an idea into a 90-unit chain with average unit volumes of $2.5 million.

Because none of the chain's markets are saturated, Magruder must think of ways to advertise without media. Olive Garden's signature bread sticks are sold in Los Angeles supermarkets to attract customers' attention.

Expansion plans call for 300 restaurants open by the early 1990s. During fiscal 1989, 50 new units will open. Of the 50, 24 were under construction by June and an additional 20 sites had been purchased. Nearly 60% will be conversions. "There are a lot of closed restaurants to choose from," says Magruder.

continued from page 31

place just after corporate-level restructuring at General Mills. In 1985, the company spun off its toy and fashion companies in order to produce revenue for the food processing and restaurant businesses. General Mills was not alone: The fight for shelf space and supermarket dollars led Ralston-Purina, Quaker Oats and Beatrice to sell non-food businesses.

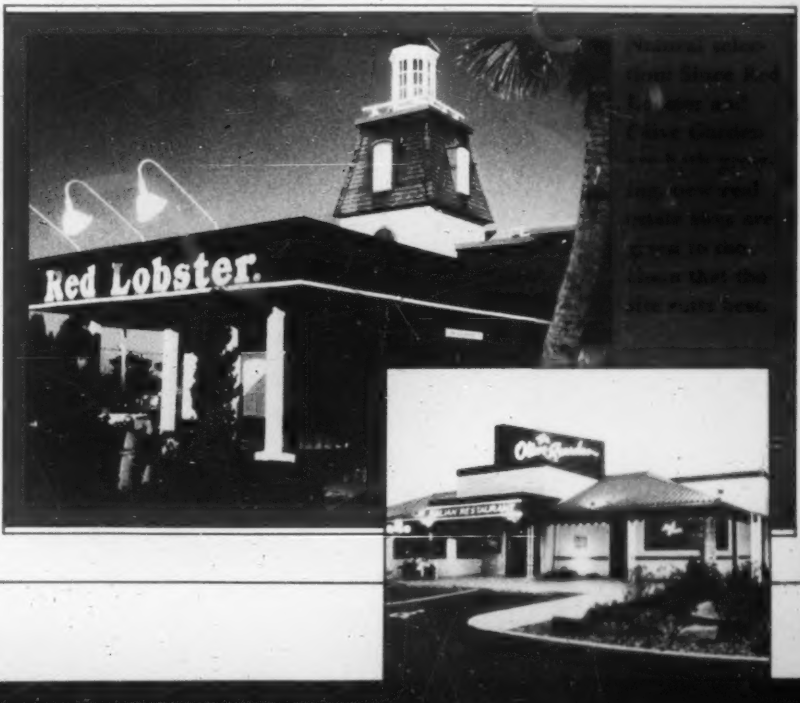
Divestitures done, General Mills set about restructuring the restaurant division. "The restaurant industry was maturing, and we saw that," says Lee. "We wanted to focus our efforts on our strongest opportunities." The restructuring resulted in Hattaway's appointment to president of international, Benton's promotion to president of York's and Magruder's promotion to president of Olive Garden. The name of the group was changed to General Mills Restaurants Inc.

The organization of the company allows General Mills to run restaurants efficiently. One central office in Orlando, Fla., handles payroll, accounts receivable and other support functions. O'Hara, Magruder and Benton keep tabs on marketing, operations and current expansion. The concept presidents and Lee, as well as Controller Robert Waggoner and Senior Vice President of Human Resources Ted Ruble meet as the Restaurant Policy Committee.

This leaves Lee to look at the big picture. These days, he spends a lot of time in Japan, Red Lobster's hottest market for expansion, and negotiating for expansion in Europe. (The company will not disclose specific countries.) He is keeping a close watch on York's, which is in the midst of repositioning with a food bar and new advertising.

Lee also must deal with labor shortages and expensive real estate, problems especially vexing to growing companies. He can easily handle fickle consumers, since seafood and Italian promise to remain hot concepts for the foreseeable future. And in response to the demand for delivery, General Mills is experimenting with Order In, a delivery dinner service in Eden Prairie, Minn.

Overall, Lee doesn't sound worried about General Mills Restaurants' future. "The leaders now will take a bigger market share in the future, because right now, they're doing the best job of marketing," he says. If this "400" is any indication, Red Lobster and Olive Garden will be right on top. For Joe Lee, that's nice. —***Lisa Bertagnoli***



Natural selection: Since Red Lobster and Olive Garden are both growing, new real estate sites are given to the chain that the site suits best.

400: RANKINGS

RULES OF THE RANKING

How *R&I*'s "400" makes financial sense out of a diverse range of foodservice operations.

If all foodservice companies were the same, ranking the *Restaurants & Institutions* "400" would be simple. But foodservice organizations are a mixture of apples and oranges that range from closely held family businesses to government institutions, with fiscal years ending at various times throughout the year. Because of this, *R&I* establishes certain rules in an attempt to put all organizations on equal footing.

Foodservice sales (for commercial operations) or purchases (for institutional operations) were accepted only for the calendar year 1987 or a fiscal year that ended after July 1, 1987. Projections through June 30, 1988, were accepted.

The sales figure listed for companies that franchise includes both domestic and international stores as well as sales in franchised units. The figure does not include royalties or franchise fees.

A multiplier (2.8) was applied to the purchasing figure for all institutional organizations to arrive at a commercial sales equivalent. This is done because most institutions do not sell their food, or if they do, the markup usually is not as great as in commercial operations. The 2.8 multiplier translates into a food cost of about 35.5%, about midway between fast-food and full-service restaurants.

Companies that could not or would not separate their food and beverage sales or purchases from other company revenues (from other lines of business) were estimated by *R&I*. All sales or unit figures estimated by *R&I* are marked with one asterisk (*).

Sales or unit figures that were estimated by the foodservice organization itself are indicated by two asterisks (**). Any data that was given for a fiscal year ending other than Dec. 31 is so indicated in the listing.

A footnote (^) is used to indicate the previous year's data inadvertently included sales or purchases other than food and beverages (from gift shops, cover charges, gasoline sales, etc.)

A footnote (^{B}) is used to indicate a company has employed a new method of reporting, usually a switch from calendar year to a fiscal year, or a change in accounting for units (from accounts to actual serving locations, etc.).

A footnote (^{C}) indicates a company has estimated the sales of its franchisees.

A footnote (^{R}) indicates the figure that appeared in last year's "400" has been revised, usually because the company has provided more detailed information about past results.

All sales figures are listed in millions. In the accompanying paragraphs, the abbreviations MM and K are used to signify millions and thousands, respectively. The abbreviation AUV is used for annual average unit (sales) volume. Fy is used to designate fiscal year and co. is the abbreviation used for company.

Companies are listed under a parent company name if the parent company operates more than one concept.

Companies that were acquired or merged during 1987 are listed on their own in the 1988 *R&I* "400" if they operated independently for more than half of 1987.

In the case of a tie (two or more organizations with the same sales figure or commercial equivalent), the following tie-breaking rules apply: Organizations that provided actual sales were ranked first. If two or more organizations fell into this category, they were listed alphabetically. Companies that provided an estimated sales figure or a projection of sales for a fiscal year ending after the questionnaire deadline were ranked next. Companies whose sales were estimated by *R&I* were ranked last.

RESTAURANTS & INSTITUTIONS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
1 (1)	**McDonald's Corp.** Oak Brook, Ill. Franchisor (fast food/hamburgers)	**14,330.4** **(12,400)**	15.6	**9,159** **(9,410)**	−2.7	Burger behemoth posted 16% jump in revenue, 14% jump in profits and 15% increase in earnings per share, despite lagging industry. AUV hit $1.5MM. Opened store No. 10,000 and will soon open first restaurant in Moscow.
2 (2)	**PepsiCo Foodservice Division** Purchase, N.Y. Franchisor (diverse restaurants)	**8,540** **(7,335.6)**	16.4	**16,407** **(14,811)**	10.8	Parent Co. PepsiCo realized 58% sales increase due to last year's acquisition of Kentucky Fried Chicken, which offset start-up losses relating to Pizza Hut delivery operations and expansion of Taco Bell units.
3 (3)	**The Pillsbury Co. Restaurant Group** Minneapolis, Minn. Franchisor (diverse restaurants)	**6,053*** **(5,500)**	10.1	**7,339** **(5,831)**	25.9	Food processor's restructuring plan involves restaurant group: All concepts except Haagen-Dazs and Burger King on the block. Burger King, Bennigan's closed more units than they opened. Fy end 5/88.
4 (4)	**Marriott Corp.** Washington, D.C. Diverse foodservice/lodging	**5,623.1*** **(5,051.4*)**	11.3	**4,511*** **(4,723*)**	4.5	Sold Big Boy franchise rights and some Saga restaurants. Bought Residence Inns from Holiday Corp.; opened 56 varied lodging units, 2 full-service. Major '88 restructuring separated restaurant and hotel divisions.
5 (5)	**U.S. Dept. of Agriculture, Food & Nutrition Service** Washington, D.C. Government institutions	**3,095.4†** **(3,215.5†)**	−3.7	**90,180** **(89,051)**	1.3	Commodities donated to child nutrition increased 7.6%. Lunch programs have shown the greatest increase in the number of meals served. Reduction in availability of dairy products. Fy end 10/87.
6 (6)	**Wendy's International Inc.** Dublin, Ohio Franchisor (fast food/hamburgers)	**2,870** **(2,747.2)**	4.5	**3,816** **(3,727)**	2.4	Last year's reorganization seems to be working, but financial situation still is murky. AUVs said to be down 0.6%. SuperBar rollout continues in franchised units. Some franchisees in arrears with royalty payments.
7 (7)	**ARA Services Inc.** Philadelphia, Pa. Foodservice management	**2,813.3*** **(2,632.3†*)**	6.9	**3,842** **(3,456*)**	11.2	Acquired Szabo Foodservice, Children's World and Servisco. Formed GMARA (industrial cleaning service). Opened 3 more Ground Services operations. Provided foodservice at Pan Am Games.
8 (9)	**Imasco USA** Rocky Mount, N.C. Franchisor (diverse restaurants)	**2,481.9*** **(2,268.8*)**	9.4	**2,991** **(2,822)**	6	Hardee's still trying to match Wendy's sales: AUVs are higher, though. Burger chain plans to keep discounting to a minimum and stress quality of products. Bought 19 Casa Lupitas to convert to Grisanti's Italian concept.
9 (10)	**International Dairy Queen Inc.** Minneapolis, Minn. Franchisor (diverse restaurants)	**2,032** **(1,723)**	17.9	**6,069** **(5,513)**	10.1	Everything for the sweet tooth: Dairy Queen became co-owner of Orange Julius in 8/87, promptly opened its first Treat Center food court (DQ, OJ and Karmelkorn side by side). Michael Sullivan named pres. 12/87.
10 (12)	**Domino's Pizza Inc.** Ann Arbor, Mich. Franchisor (fast food/pizza)	**1,980** **(1,500)**	32	**4,279** **(3,606)**	18.7	Delivery specialist continues aggressive growth to the tune of 32%—annual average of 2 stores a day. Stand-alone prototype unit under way. Concentrating on store security and driver safety on a national basis.

**R&I* estimate. **company est. †commercial equivalent. (A) former data included non-foodservice sales. (B) adjusted method in reporting figures. (C) franchisees' sales est. (R) revised

400: RANKINGS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
11 (8)	**TW Services** New York, N.Y. Diverse foodservice	1,859.9* (2,449.2*)	−24.1	2,352 (3,862*)	−39.1	Spartan division opened 43 new Hardee's and El Pollo Locos. Signed 68 franchise agreements for its proprietary restaurant concepts. Initiated $1 billion refinancing program to reduce debt service. Acquired Denny's 7/87.
12 (New Member)	**Restaurant Enterprises Group Inc.** Irvine, Calif. Diverse restaurants	1,520* (—)	—	801 (—)	—	Co. spent '87 cleaning up restaurant portfolio. El Torito, Coco's, Carrow's, Reuben's, Charlie Brown's, Qarryl's, Bristol, Devon will stay in Western states; Houlihan's in Midwest, Northeast.
13 (13)	**Denny's Inc.** La Mirada, Calif. Franchisor (diverse restaurants)	1,485.4 (1,335.8)	11.2	2,072 (2,016)	2.8	Co. was acquired by TW Services in 7/87 for $218MM in cash and assumption of the chain's debt. El Pollo Loco subsidiary went to Japan. EPL Japan, joint venture with Mitsui Trading Co., plans to open 484 units in 11 years.
14 (18)	**General Mills Restaurants Inc.** Orlando, Fla. Diverse restaurants	1,450** (1,050)	38.1	644 (599)	7.5	Red Lobster has purchased and will convert 28 Seafood Broiler units in Calif. Olive Garden's 100th unit expected by 6/88. York's undergoing repositioning; traffic up 20% in remodeled units. Fy end 5/88.
15 (14)	**The Sheraton Corp.** Boston, Mass. Lodging	1,391.2 (1,251.8*)	11.1	1,555 (1,457)	6.7	Sees self as leader in "second generation of all-suites." Mix-and-match designs include flexible restaurant/lounge area, c-store. Started free bed and breakfast for kids, as well as own Culinary Olympics team.
16 (11)	**Holiday Corp.** Memphis, Tenn. Lodging	1,386* (1,638.3*)	−15.4	1,917* (2,482*)	−22.8	Sold international assets plus 13 domestic hotels to Bass PLC. Paid off $1 billion in debt first year after recapitalization. Gaming div. profiting from Vegas casino add-on. New services for seniors, hearing impaired.
17 (16)	**Shoney's Inc.** Nashville, Tenn. Diverse foodservice/lodging	1,227.3 (1,198)	2.4	1,483 (1,360)	9	Shoney's div. opened record 62 units, expanded breakfast bar. (Bar accounts for 24% of total sales.) Switched to a new, larger, brighter building design for Captain D's. Lee's Chicken saw steady 7-unit increase. Fy end 10/87.
18 (17)	**Collins Foods International Inc.** Los Angeles, Calif. Franchisor (diverse restaurants)	1,052.7 (1,057.4)	−0.4	1,003 (976)	2.8	Co. sold Collins Foodservice Corp., wholesale distribution business, to Bunzl Corp. and Naugles Mexican chain (171 units) to American Restaurant Group Chairman Anwar Soliman's AWR II Acquisition Corp. Fy end 4/88.
19 (19)	**Service America Corp.** Stamford, Conn. Foodservice management	1,030** (1,001.9)	2.8	11,000** (11,546)	−4.7	Completed successful management leveraged buyout in 12/87; implemented employee "Back-to-Basics" customer-service program. Plans $30MM capital-expansion program for '88.
20 (21)	**Arby's Inc.** Atlanta, Ga. Franchisor (fast food/roast beef)	980 (892.8)	9.8	1,973 (1,760)	12.1	Co. that positions itself as an "alternative" to the burger chains opened 220 units in '87 and plans 235 in '88, focusing on Canada, U.S. and Pacific Basin. Will reach $1 billion mark in sales in '88.

*R&I estimate **company est. †commercial equivalent (A) former data included non foodservice sales (B) adjusted method in reporting figures (C) franchisees' sales est. (R) revised

RESTAURANTS & INSTITUTIONS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
21 (20)	**Hilton Hotels Corp.** Beverly Hills, Calif. Lodging	970 (930.6*)	4.2	1,185 (1,155*)	2.6	Finished $1 billion-plus renovation of 12 hotels. First Hilton Suites hotel, in Calif., will have c-store, spa, complimentary breakfast. Latest court decision in stock control battle went Barron Hilton's way.
22 (32)	**Morrison Inc.** Mobile, Ala. Diverse foodservice/management	858 (652.2)	31.6	1,053 (608)	73.2	Co. merged with Custom Mgmt. Corp. in 4/87. Also entered international market in Canada and started joint-venture hospital feeding program in Japan. Acquired Dobbs Food Service Mgmt. from Carson Pirie Scott in '88.
23 (22)	**The Southland Corp.** Dallas, Texas Retail (convenience stores)	828.8* (875.9*)	−5.4	7,000* (7,835)	−10.7	Co. went through an expensive leveraged buyout in '87. To help repay a portion of the nearly $4 billion of debt, Southland will sell about 1,000 stores. Tested a partnership program with Hardee's and Church's.
24 (23)	**U.S. Navy Food Service Systems Office** Washington, D.C. Military	810† (809.6†)	—	684 (684)	0	Military mess goes modern. Fish, poultry, pasta and spicy-hot dishes are ever more popular. Among '87 introductions: turkey croissant with chutney sauce. Served 68MM rations last year in 684 messes.
25 (25)	**Jerrico Inc.** Lexington, Ky. Franchisor (diverse restaurants)	791.8* (763.9)	3.7	1,504 (1,467)	2.5	Acquired 61 stores from the second-largest Long John Silver franchisee. Florenz Italian concept completed repositioning. Co. plans to open pilot quick-service Italian concept. $60MM earmarked for LJS capital expansion.
26 (29)	**U.S. Army Community & Family Support Centers** Alexandria, Va. Military	766.4† (715.1†)	7.2	626 (631)	−0.8	Army committed to investment of $124MM in '88 to spruce up facilities on bases all over the world. There are 626 centers worldwide, with private-sector sales equivalent of $766.4MM last fiscal year.
27 (24)	**Ponderosa Inc.** Dayton, Ohio Franchisor (full service/steakhouses)	730.4 (770)	−5.1	693 (704)	−1.6	Co. sold all but its 3 company-owned Casa Lupita units to Grisanti's in 8/87, streamlined operations to reduce costs by $6MM and remodeled 176 units. Also sold 3 English Ponderosas. Fy end 2/88.
28 (33)	**Dunkin' Donuts Inc.** Randolph, Mass. Franchisor (diverse restaurants)	728.8 (648)	12.5	1,669 (1,539)	8.4	Co. tested new distribution channels: Circle K and Dairy Mart c-stores, Amoco gas stations, Riese locations, mobile carts, satellite shops, kiosks. Will keep exploring drive-thrus. Chili's full-service restaurants expanded.
29 (31)	**Hyatt Hotels Corp.** Chicago, Ill. Lodging	726.4* (681.8*)	6.5	390** (386*)	1	Opened 6 hotels. Major revamp of Gold Passport frequent-traveler program. Switched ad agencies. Plans aggressive expansion, especially in fantasy resorts. Some restaurants marketing "homestyle" food.
30 (39)	**Little Caesar Enterprises Inc.** Farmington Hills, Mich. Franchisor (fast food/pizza)	725 (520)	39.4	1,820 (1,308)	39.1	"Little?" Hardly. The co. showed a 314% growth in systemwide sales from '83 to '88. Also projects it will top the $1 billion mark in sales in '88. Franchising is fine with 1,349 units in U.S., 30 overseas.

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Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
31 (26)	**Carlson Cos.** Minneapolis, Minn. Diverse foodservice/lodging	724.1** (749.8)	−3.4	757 (889)	−14.8	Radisson's Flavor of the Northwest promo was a hit and co. continues to upgrade food and service. At Country Kitchen, a new interior design was unveiled. Expansion continues at TGI Friday's.
32 (30)	**U.S. Army Troop Support Agency** Fort Lee, Va. Military	698.6† (700.8†)	−0.3	1,074 (1,105)	−2.8	Frozen yogurt, stuffed cabbage, herbed green beans and bagels joined the menu at 1,074 dining facilities worldwide. Agency experimented with "breakfast fitness bar."
33 (27)	**Ramada Inns Inc.** Phoenix, Ariz. Diverse foodservice/lodging	657.2* (737.9*)	−10.9	802 (701*)	14.4	Implemented RoomFinder III, a high-tech reservations system. Inched toward goal of managing hotels, not owning them. Plans $60MM casino in Laughlin, Nev. With Rodeway purchase, entered economy market.
34 (35)	**Foodmaker Inc.** San Diego, Calif. Franchisor (fast food/hamburgers)	65[illegible].1 (630.[illegible]*)	2.4	897 (849)	5.7	Co. continuing to increase number of franchised Jack In The Box units. Initial public offering made 2/87. Fajita Pita, Ultimate Cheeseburger, Finger Foods added to ever-growing menu. Fy end 9/87.
35 (37)	**Baskin-Robbins Ice Cream Co.** Glendale, Calif. Franchisor (fast food/ice cream)	624.7* (572.1*)	9.2	3,372 (3,311)	1.8	Co. is testing "31 Treats" concept (ice cream plus other sweets) in Calif., Texas. Frozen yogurt went systemwide. "Baseball (or Football) Helmet Sundae" was hit format. Wendy's joint venture ended unsuccessfully.
36 (38)	**Friendly Ice Cream Corp.** Wilbraham, Mass. Full service family dining)	572.4 (536.5)	6.7	840 (829)	1.3	Co. completed conversion of its Idlenot Farm Shops into Friendly Ice Cream stores and started conversion of Litchfield shops, to be complete by year-end '88. Five-minute Express lunch now permanent policy.
37 (41)	**Army & Air Force Exchange Service** Dallas, Texas Military	544.6† (496.9†)	9.6	2,755 (2,732)	0.8	Big news here is expansion of theme restaurants with identifying names, menus and decor packages. Pushed nutrition with promos such as "Super Breakfast."
38 (36)	**Church's Fried Chicken Inc.** San Antonio, Texas Franchisor (fast food/chicken)	533.9 (577.7)	−7.6	1,422 (1,532)	−7.2	Co. went back to basics in '87, trimming menu, revamping its style. Dumped some poorly performing units to regain profitability, but salmonella scare ate into sales. Plan to build walk-up takeout kiosks in '88.
39 (42)	**USACafes** Dallas, Texas Franchisor (diverse restaurants)	529.5 (480)	10.3	605 (571)	6	Co. restructured to limited-partnership status, a move that pushed net income for '87 to $8.6MM compared with $3.4MM in '86. Co. speeded up expansion: 70 new Bonanzas in '87. Will franchise Ribby's in '88.
40 (New Member)	**American Restaurant Group Inc.** Newport Beach, Calif. Franchisor (diverse restaurants)	500 (—)	—	369 (—)	—	ARG was formed in 2/87 and currently operates Grandy's, Stuart Andersons, MacArthur Park, Prego, Ciao, Velvet Turtle, Tutto Bene and others. 12 company-owned units opened in '87; 12 coming in '88.

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RESTAURANTS & INSTITUTIONS

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41 (61)	**Inter-Continental Hotels Corp.** New York, N.Y. Lodging	490* (381*)	28.6	300* (399*)	−24.8	Internal restructuring: Patrick Copeland named pres. & COO. Steve Peeck named VP of f&b. A new $8MM worldwide ad campaign will use TV for the first time. Co. wants 200 hotels by the year 2000.
42 (47)	**A. Copeland Enterprises Inc.** Jefferson, La. Franchisor (diverse restaurants)	482.6 (415)	16.3	710 (656)	8.2	Popeyes chain continues to grow, with a projected 100 new units to open in '88. Full-service Copeland's restaurants will condense menus and expand into the Southern Calif. and Fla. markets.
43 (44)	**Western Sizzlin' Steak House Inc.** Augusta, Ga. Franchisor (full service/steakhouses)	466.2 (442.6[a])	5.3	585 (557[a])	5	Western Sizzlin' followed through on menu upgrade and revision it started in '86. 85 units now have new menu in place. Co. launched a remodeling program and designed prototype for all future buildings.
44 (43)	**Carson Pirie Scott & Co.** Chicago, Ill. Diverse foodservice/lodging	463.2* (465.7*)	−0.5	281* (433*)	−35.1	Carson's is setting priorities and getting out of foodservice. Sold Dobbs Houses, airline catering and airport concessions to Greyhound. Specialty restaurant, catering and lodging divisions are termed discontinued operations.
45 (51)	**Investors Management Corp.** Raleigh, N.C. Diverse restaurants	445.8 (381)	17	542 (519)	4.4	IMC's Golden Corral steakhouses formed Golden Corral Franchising Systems to develop multi-unit franchise agreements. Among them: GC-DFW Corp. will develop 15 restaurants in Dallas area within 5 years.
46 (46)	**Elias Brothers Restaurants Inc.** Warren, Mich. Diversified franchisee	434.7* (416)	4.5	254 (254)	0	Big '87 news for Elias was controversial acquisition of Big Boy franchising rights from Marriott amid franchisee strife. Co. spokesman says 50-year-old Elias now working on other acquisitions, too. Fy end 9/87.
47 (28)	**United Airlines** Chicago, Ill. Transportation	397.6† (356.6†)	11.5	18 (18)	0	"United" again after brief stint as Allegis. Public flocking to the friendly skies. Carrier flew 55MM passengers vs. 32.3MM in '86. Meals served went to 61.6MM from 42.6MM. Sold Hilton Intl. and Westin.
48 (45)	**Manor Care Inc.** Silver Spring, Md. Diverse foodservice/lodging	388.6†* (441.9*)	−12.1	922 (816*)	13	Manor Care operates 144 nursing homes with 19,058 beds. Co. also owns Quality Inns lodging chain, holding budget, mid-priced and luxury hotels. Nursing home food purchases for '87 estimated at $18.8MM.
49 (52)	**Ogden Allied Services Corp.** New York, N.Y. Diverse foodservice/management	388.5* (370)	5	1,725* (1,725)	0	Diverse-interest co. operates in all 50 states out of 10 regional bases under Ogden Food Service Corp., Offshore Food Services and Alpine Burtco International subsidiaries.
50 (40)	**VICORP Restaurants Inc.** Denver, Colo. Franchisor (diverse restaurants)	381.6 (502.8)	−24.1	410 (445)	−7.9	'87 was a turnaround year for VICORP. Finished conversion of Sambo's into Bakers Squares, improved business in Calif. and Fla. Former CEO Gordon Miles led an LBO of the co.'s specialty restaurants. Fy end 10/87.

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51 (56)	**Rax Restaurants Inc.** Columbus, Ohio Franchisor (fast food/varied)	358.3 (328.9)	8.9	529 (512)	3.3	Tight cost controls, elimination of unprofitable units and enhancement of "fast-food" image is the order for '88. New drive-thru-only unit to debut in Ohio. Fy end 7/87.
52 (53)	**Greyhound Food Management Inc.** Phoenix, Ariz. Diverse foodservice/management	350** (350)	—	450 (439)	2.5	Co. plans expansion of Restaura Dining Services, the contract mgmt. div. that services B&I and health care. No plans to expand Cassano's Pizza or Burger King units in '88.
53 (New Member)	**Perkins Family Restaurants L.P.** Memphis, Tenn. Full service (family dining)	343.7 (—)	—	334 (—)	—	Switch to limited partnership at end of '86 helped Perkins reap hefty tax benefits, show 143% rise in profits on 24% revenue jump in 3rd qtr. '87. Aiming for 400 units by '89.
54 (54)	**Carl Karcher Enterprises Inc.** Anaheim, Calif. Franchisor (fast food/hamburgers)	343.6 (344.9**)	−0.4	444 (433)	2.5	Carl's Jr.'s back-to-basics program continues with restaurant remodeling. Closed 27 units outside core Southern Calif. market. SEC investigating principals on insider-trading charge.
55 (67)	**Walt Disney Co.** Lake Buena Vista, Fla. Diverse foodservice/lodging	336 (288.7ᴿ)	16.4	182 (182)	0	Major plans in '88: 900-room Grand Floridian Resort; 2,200-room Caribbean Beach Resort, Pleasure Island show complex. Orlando did $1MM f&b on Christmas Day. Fy end 9/87.
56 (48)	**U.S. Air Force Open Mess System** Randolph AFB, Texas Military	331† (409.8†)	−19.2	262 (502)	−47.8	Air Force goes Cajun: Menu introductions in 262 officers, NCO and consolidated clubs included blackened chicken, turkey and duck as well as other "country cookin'."
57 (55)	**U.S. Air Force** Tyndall AFB, Fla. Military	319.5† (329.6†)	−3.1	669 (672)	−0.4	Continued implementation of Services Information Management System, automated foodservice module at global bases. Also testing SIMS small-site prototype.
58 (61)	**Sonic Industries Inc.** Oklahoma City, Okla. Franchisor (fast food/hamburgers)	315 (291)	8.2	953 (958)	−0.5	Burger chain targeting Fla. as growth market. More than 200 units remodeled last year; co. increased TV advertising by 300%. Sonic Blast ice cream treat joined menu last year.
59 (62)	**The Riese Organization** New York, N.Y. Diversified franchisee	312* (290)	7.6	303* (260)	16.5	In past 4 yrs., diversified franchisee co. has focused on Pizza Hut, Houlihan's, Roy Rogers, El Torito growth in Big Apple. Despite talk of going public, co. still private.
60 (65)	**Beverly Enterprises** Pasadena, Calif. Health care	308† (280†**)	10	1,052* (1,100)	−4.4	Posted a $60 million loss in '87 due to quick expansion, tight competition, sliding occupancy. Dividend suspended, executive salaries frozen, marginal properties sold.
61 (76)	**National Purchasing Corp.** Irvine, Calif. Health care	307.6†** (282.2†)	9	2,105 (2,037)	3.3	Organization coordinates and negotiates contracts for a variety of health-care facilities nationwide. Added 255 contracts in '87; plans to expand in East in '88.
62 (232)	**Pantera's Corp.** St. Louis, Mo. Franchisor (full service/pizza)	300 (60)	400	786 (120)	555	Co. acquired Pizza Inn Inc. in late 7/87 in a deal valued at about $45MM. This transforms the co. into the fifth-largest pizza chain with 786 units. Fy end 6/88.
63 (86)	**The Seiler Corp** Waltham, Mass. Foodservice management	299 (220.2*)	35.8	400 (540*)	−25.9	A year of acquisitions for this fs. management co. Western Foods, In-Plant Catering and Dietary Consultants Inc. now under the corporate wing. PC: Sodexho. Fy end 9/87.
64 (72)	**IHOP Corp.** North Hollywood, Calif. Franchisor (full service/family dining)	297.5 (264.1)	12.6	454 (450)	0.9	After 4 years of work, IHOP completed a leveraged buyout of its Swiss holding company. Co. continues remodeling. Interior design upgrade plan approved 12/87. Fy end 1/88.

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65 (58)	**Boddie-Noell Enterprises Inc.** Rocky Mount, N.C. Franchisee (fast food/hamburgers)	297.2* (298)	-0.3	279 (338)	-17.5	Hardee's franchisee of 25 years unfastened 74 Zip Mart c-stores and sold them in '87. Added 15 Hardee's. Kept ranking as No. 2 U.S. Hardee's franchisee. Fy end 9/87.
66 (68)	**Hospital Corp. of America** Nashville, Tenn. Health care	288.8†* (273.5†**)	5.6	404 (389)	[illegible]	Following year of major restructuring (sold 104 facilities to employees and retained 82 larger urban hospitals), outlook brighter. Patient days have increased.
67 (70)	**White Castle System Inc.** Columbus, Ohio Fast food (hamburgers)	282.6 (268.5)	5.3	236 (222)	6.3	Breakfast sandwiches in test. Frozen burgers test continues. Castle Meals, "doubles" promotions on the calendar for this year.
68 (49)	**Sky Chefs Inc.** Dallas/Fort Worth Airport, Texas Diverse foodservice/management	275.8† (398)	-30.7	35^B (326*)	[illegible]	AMR (American Airlines' parent) sold this co. to its senior management and a Toronto firm 5/86. Restaurants and concessions sold 2/87. Will open 3 new catering kitchens by 8/88.
69 (66)	**Trans World Airlines Inc.** New York, N.Y. Transportation	275†* (275†)	—	3* (3)	0	Ozark acquisition completed. Number of international flights will jump 30% in '88. Revenue passenger miles up to 33 billion from 27.4 billion.
70 (34)	**K mart Corp.** Troy, Mich. Retail	274.5* (646.2*)	-57.5	1,559 (1,968*)	[illegible]	Co. operates cafeterias, sandwich shops, family restaurants, eateries, snack bars and coffee shops in its discount stores. Plans to enter the "Hypermarket" superstore arena.
71 (121)	**Doctors Associates Inc.** Milford, Conn. Franchisor (fast food/subs)	272** (140)	94.3	1,815 (987)	[illegible]	Subs are surfacing: 882 units in '87 and 1,000 more set for '88. Sales are soaring for Subway shops, with an almost 100% increase in '87. Ad budget will be doubled to $12MM in '88.
72 (57)	**Chi-Chi's Inc.** Louisville, Ky. Franchisor (full service/dinner houses)	270 (315**)	-14.3	201 (199)	[illegible]	After 2 years of sales dips, Chi-Chi's appears to have turned the corner. Acquisition by Foodmaker will allow chain to capitalize on existing markets and continue growth pattern.
73 (81)	**Whataburger Inc.** Corpus Christi, Texas Franchisor (fast food/hamburgers)	265** (225)	17.8	392 (365)	7.4	Burger chain named new regional ad agency for N.M. and Ariz., regions that will figure significantly in marketing and expansion plans for '88.
74 (71)	**Veterans Administration** Washington, D.C. Health care	264.3† (264.8†^B)	-0.2	162 (160)	[illegible]	Served more than 70MM dietetic patient meals in 162 hospitals. Food purchases last year totaled $94.5MM. Number of meals is down 2% from year before, though.
75 (75)	**Round Table Franchise Corp.** San Francisco, Calif. Franchisor (full service/pizza)	262.5 (250)	5	535 (508)	[illegible]	Co. ventured outside the U.S. with units in Japan and Taiwan. About 70 units are planned for '88, the majority in the Western U.S. AUVs are $500K. Fy end 6/88.
76 (84)	**New York City Board of Education** Long Island City, N.Y. Schools	257.6†** (222.7†)	15.7	1,207 (1,200)	[illegible]	Implemented a productivity-based promotional system for foodservice managers. Remodeled and opened 6 locations in '87. Also serves Meals on Wheels, Fy end 6/88.
77 (New Member)	**Furr's/Bishop's Cafeterias L.P.** Lubbock, Texas Full service (cafeterias)	256.2 (—)	—	152 (—)	—	Co. operates 126 Furr's Cafeterias and 26 Bishop Buffets formerly owned by K mart. Avg. check $4.44. Emphasis in '88 will be on building guest frequency. Fy end 1/88.
78 (78)	**Nestle Enterprises Inc.** Solon, Ohio Diverse foodservice/lodging	254.2* (232*)	9.6	176* (239)	[illegible]	Nestle now operates J.B. Winberie's, Rusty Scupper and other concepts (68 units total, 7 opened in '87) plus 32 hotels with 108 additional f&b units.

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79 (100)	**Chili's Inc.** Dallas, Texas Franchisor (full service/dinner houses)	253** (196[B])	29.1	146 (114[B])	28.1	Chili's is hot, opening 32 units in '87; at least 30 in '88 and then 20-23 a year. Six Flyer's Island Express units now in test, serving ¼-lb., 99-cent burgers.
80 (74)	**Delaware North Cos. Inc.** Buffalo, N.Y. Foodservice management	246.8* (250)	−1.3	292 (292)	0	Sales held steady for fs. concessionaire in '87 due to the combination of increased demand, increased market penetration and cost reductions. Fs. sales constitute 45% of business.
81 (60)	**Carvel Corp.** Yonkers, N.Y. Franchisor (fast food/ice cream)	243.8* (291.5*)	−16.4	750** (870*)	−13.8	Co. sticks to American classics: Carvel ice cream, Nedick's hot dogs, Fudgie the Whale, nothing else. Hottest-selling frozen goodies are "flying saucer" ice cream sandwiches.
82 (142)	**Northwest Airlines Inc.** St. Paul, Minn. Transportation	233.7† (112†)	108.7	81 (3)	2600	Jump in sales due to expanded routes and increased flights stemming from acquisition of Republic Airlines 8/86. Carrier is re-evaluating foodservice program.
83 (90)	**Luby's Cafeterias Inc.** San Antonio, Texas Full service (cafeterias)	232.9 (215.1)	8.3	103 (94)	9.6	Reported flat operating income 3/88 for first time since it began trading publicly 15 years ago. Customer counts down 2.4% in '87. Co. will expand in the Southwest. Fy end 8/87.
84 (91)	**U.S. Marine Corps** Washington, D.C. Military	231.8†** (206.6†)	12.2	109 (103)	5.8	Civilian contracting of 18 mess halls was the big news for '87, along with facility improvements in U.S. and Japan. More formal training was supplemented by new manuals.
85 (88)	**Waffle House Inc.** Norcross, Ga. Franchisor (full service/family dining)	130.6* (219.5*)	5.1	610* (590)	3.4	Co. has franchised units in 20 states. Will not divulge much info, but big franchisee Northlake Foods (97 units in Fla., Va. and Ga.) drew attention with major mgmt. training program.
86 (73)	**The Horn & Hardart Co.** New York, N.Y. Diversified franchisee	227.6 (256.5**)	−11.3	275 (325)	−15.4	Co. closed unprofitable Bojangles' units as part of restructuring process. Purchase of International King's Table buffet restaurants on the boards for '88.
87 (87)	**Bob Evans Farms Inc.** Columbus, Ohio Full service (family dining)	220 (220)	—	196 (175)	12	Despite flat sales, co. was able to buy Owens Country Sausage Inc. and start building an Owens chain in the Southwest. First Owens unit opened 10/87. Fy end 4/88.
88 (94)	**Restaurant Associates Industries Inc.** New York, N.Y. Diverse restaurants	220 (197.5*)	11.4	110 (97*)	13.4	Public co. went private in 3/88; management now owns 54%. President Max Pine is now CEO and COO. Mama Leone's reopened in a new location in 4/88.
89 (83)	**Piccadilly Cafeterias Inc.** Baton Rouge, La. Full service (cafeterias)	217.5 (225**)	−3.3	116 (111)	4.5	9 units opened in '87; 12 are expected in '88. Expansion areas include Calif., Ga., Fla. and La. Plans include reinstating breakfast in 4 units as a test. Fy end 6/88.
90 (93)	**Shoney's South Inc.** Memphis, Tenn. Diversified franchisee	211.3 (200)	5.7	254 (241)	5.4	Say goodbye. Shoney's South bought 3/88 by Tennessee-based TPI Restaurants for $123MM: 170 Shoney's, 65 Capt. D's, 9 Hungry Fisherman, 8 Danver's. Not a bad haul.
91 (108)	**Mister Donut of America** Minneapolis, Minn. Franchisor (fast food/doughnuts)	210 (160.8)	30.6	709 (622)	14	Narrow lots, express drive-thrus and kiosks have juiced profits; aggressive radio/TV advertising helped. "Fast-feeder" lines boosted productivity. Fy end 2/88.
92 (64)	**National Medical Enterprises Inc.** Orange, Calif. Health care	210†** (280.5†)	−25.1	578 (563)	2.7	Although nursing homes have been plagued by rising labor costs (NME has more than 400) business at the company's 56 psychiatric hospitals is up 40%.

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Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
93 (240)	**Mrs. Fields Cookies** Park City, Utah Retail (fast food/cookies)	203.2* (58.7*)	246.2	700 (285)	145.6	Multinational cookie empire acquired La Petite Boulangerie and added 170 Mrs. Fields stores in '87; plans another 100 by end of '88. Muffins added diversity to cookie line.
94 (98)	**Chick-fil-A Inc.** Atlanta, Ga. Fast food (chicken)	202.7 (181.4)	11.7	364 (345)	5.5	Atlanta-based chicken outfit with stores in 31 states experienced a repeat of double-digit sales growth. Chain continues mall expansion; will begin building free-standing units.
95 (97)	**Frisch's Restaurants Inc.** Cincinnati, Ohio Diversified franchisee	197.4* (187.6)	5.2	197 (206)	−4.4	Biggest concepts are Big Boy, (174 units as of 12/87) and Roy Rogers (18 units). To open 6 Big Boys in '88. New menu section offers senior/light fare, smaller portions.
96 (79)	**Brock Hotel Corp.** Irving, Texas Diverse foodservice/lodging	192.7 (228.6)	−15.7	321 (316)	1.6	Bought ailing Monterey House chain. ShowBiz used TV ads, coupons to draw families. Hotel div. spruced up restaurants, converted 2 into Denny's. Name changed to Integra 5/88.
97 (118)	**The Circle K Corp.** Phoenix, Ariz. Retail (convenience stores)	190** (144.9*)	31.1	3,600 (3,500)	2.9	Dunkin' Donuts display case has been added to 400 more units. Fresh-baked pizza by the slice is a popular item. Co. will aquire 473 7-Eleven stores for $147 million. Fy end 4/88.
98 (96)	**Wyatt Cafeterias Inc.** Dallas, Texas Full service (cafeterias)	189 (195)	−3.1	119 (120)	−0.8	Co. opened 3 units in '87 and plans 3 more in '88. Southwest is target expansion area. Average check is $4.46.
99 (101)	**F.W. Woolworth Co.** New York, N.Y. Retail (department stores)	187* (175*)	6.9	1,050* (1,070**)	−1.9	Co. continues venture into fast-food world with Burger King units, but bulk of sales still come from traditional lunch counters.
100 (147)	**Ryan's Family Steak Houses Inc.** Greer, S.C. Full service (steakhouses)	185 (105)	76.2	95 (70)	35.7	Older units got 100-seat additions; co. now has new prototype in place. Testing weekend breakfast buffets, ethnic salad bar items. Unit growth will slow to build AUV, down 3%.
101 (102)	**The Krystal Co.** Chattanooga, Tenn. Fast food (hamburgers)	184 (174)	5.7	243 (237)	2.5	Back-to-basics strategy seems to be working: Burger chain says customer counts are up, but won't reveal how much. Krystal Sunriser breakfast sandwich in test.
102 (129)	**Unicare Health Facilities Inc.** Milwaukee, Wis. Health care	182† (126†)	44.4	890 (600)	48.3	Continued standardization of products (including pre-prepared and pre-plated items). Five-week cycle menu is changed twice a year.
103 (82)	**The Ground Round Inc.** South Weymouth, Mass. Franchisor (full service/dinner houses)	181.6 (225**)	−19.3	191 (194)	−1.5	Purchasing, operational changes paying off with higher unit volumes. Bought Midwest Stuart Anderson units from Marriott. Fy end 9/87. PC: Hansen PLC, London.
104 (59)	**PoFolks Inc.** Nashville, Tenn. Diversified franchisee	180 (295.9)	−39.2	164 (313)	−47.6	Co.'s continued losses prompted the sale of its DavCo subsidiary operating 141 Wendy's restaurants. Sale was not enough, however. Co. filed for Chapter 11 reorganization in 1/88.
105 (103)	**Western Steer-Mom'n'Pop's Inc.** Claremont, N.C. Diverse restaurants	179.6 (171)	5	192 (185)	3.8	Western Steer Mom 'n' Pop's sold its Mom & Pop's Country Stores to Kelley and Partners, an investment group led by E.W. Kelley, chairman of Consolidated Products Inc.
106 (99)	**Specialty Restaurants Corp.** Anaheim, Calif. Diverse restaurants	178** (181.1*)	−1.7	73 (68*)	7.4	Specialty opened 5 new restaurants in '87 and reopened a unit closed by fire. In Tampa, Fla., a Castaway unit opened in 5/88. Co. is updating its 94th Aero Squadron concept.

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Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
107 (105)	**Harry M. Stevens Inc.** New York, N.Y. Foodservice management	175 (168)	4.2	37 (35)	5.7	Implementing "orderly walk-through" designs to feed people attending sporting events. More customer self-service. First test of this system implemented at Miami Arena.
108 (119)	**City of New York, Dept. of Procurement** New York, N.Y. Government institutions	175† (143.1†)	22.3	104 (40)	160	This Big Apple department has added 64 senior centers to the list of hospitals and prison facilities for which it purchases. Fy end 6/88.
109 (85)	**U.S. Navy Officer's and Enlisted Club System** Washington, D.C. Military	168.6† (222.4†)	−24.2	261 (256)	2	Healthy and hot are watchwords here: "light alternatives" were introduced, along with Mexican fajitas and Cajun specialties. Mongolian barbecue was a top-selling item.
110 (109)	**California Department of Corrections** Sacramento, Calif. Government institutions	168.6†** (155.9†)	8.1	75 (76)	−1.3	Entire foodservice system is going on computer in '88 to centralize inventory, food costing, warehousing and more. Establishing a fs. training library. Fy end 6/88.
111 (106)	**Los Angeles Unified School District** Los Angeles, Calif. Schools	167.7†** (165.5†)	1.3	574 (572)	0.3	District plans to construct new bulk food-processing plant. Upgrading student outdoor dining areas at older schools. Holiday desserts added to menu. Fy end 6/88.
112 (199)	**ServiceMaster Co., Food Management Division** Minneapolis, Minn. Foodservice management	165 (73.3†)	125.1	235 (105)	123.8	The acquisition of American Food Mgmt. Co. for $35MM-$40MM in 12/86 more than doubled units and sales in '87. The acquired co. was fully intregrated in '87. 12 units closed.
113 (89)	**Bally Manufacturing Corp.** Chicago, Ill. Lodging	164.2* (217.4*)	−24.5	29* (101*)	−71.3	World's largest casino-hotel co. coped well with $1.4 billion debt, defeated takeover attempt by Trump. Bally's Park Place completing 800-room addition.
114 (123)	**Hospital Purchasing Services** Middleville, Mich. Health care	163.8† (135.8†)	20.6	535 (516)	3.7	Purchases for 535 facilities; emphasis in health care but also for schools, colleges and prisons. Financed by member fees. Bulk discounts range from 8% to 10%.
115 (New Member)	**Paragon Restaurant Group Inc.** San Diego, Calif. Diverse restaurants	162 (—)	—	83 (—)	—	Former privately held subsidiary of VICORP changed its name post-LBO, shuffled top mgmt. Acquired 22-unit Rusty Pelican seafood chain for $25.4MM 10/87. Fy end 10/87.
116 (126)	**Hyatt International Corp.** Chicago, Ill. Lodging	160 (127)	26	200** (180**)	11.1	Plans 40 business-oriented hotels in suburbs, smaller cities by early '90s. New back-of-house layout and management in place. $30MM renovation of London hotel.
117 (112)	**A&W Restaurants Inc.** Dearborn, Mich. Franchisor (fast food/varied)	154 (150)	2.7	531 (550)	−3.5	"Real Meal Deal" promo in '87 showed real success, accounting for an increase in sales. Ad budget for '88 is $1.5MM, mostly for direct mail. 33 units planned for '88.
118 (122)	**Harman Management Co.** Los Altos, Calif. Franchisee (fast food/chicken)	153** (140**)	9.3	226 (223)	1.3	The venerable, veteran Kentucky Fried Chicken franchisee reports that customer counts are up. But little else has changed: Will open 2 units in Calif. and 2 in Colo. in '88.
119 (120)	**Club Corp. of America** Dallas, Texas Foodservice management	152.9* (140)	9.2	225 (206)	9.2	This operator of private clubs chose to remain private this year about sales and growth plans. At press time, the search was on for a new f&b director.
120 (107)	**DeNovo Corp.** Utica, Mich. Franchisor (diverse restaurants)	150 (161*)	−6.8	544 (592)	−8.1	Operates 30 Dog 'n Suds, 104 Tastee-Freez stores. Subfranchisor of Mr. Donut. Experimenting with Heritage stores that are open all year and offer diverse menu.

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Rank '86 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
121 (127)	**Food Dimensions Inc.** San Francisco, Calif. Foodservice management	148.7†* (126†)	18	115 (95)	21.1	Foodservice mgmt. co. added personnel, including VP of sales and mktg. and a director of technical services. Retirement residences are majority of business. Fy end 8/87.
122 (113)	**Brown Derby Inc.** Cleveland, Ohio Franchisor (full service)	148 (148)	—	50 (55)	−9.1	Brown Derby opened 1 unit in '87 but is keeping future plans under its hat. Expansion will be in Midwest, South and Southwest. Fy end 5/88.
123 (95)	**Shakey's Inc.** Irving, Texas Franchisor (full service/pizza)	145.4 (146.9)	−1	364 (386)	−5.7	Turned down a suitor's bid for 80% of co. in 2/87. Buffet concept is going strong with emphasis on non-fried and nutritional items. 10-12 units planned in '88. Fy end 9/87.
124 (116)	**Baltimore Bureau of Purchases** Baltimore, Md. Government institutions	144.2† (145.8†)	−1	135 (130)	3.8	Drop in purchases due to high volume of government subsidies. Purchases may increase next year as a result of USDA mandate to buy American products.
125 (15)	**W.R. Grace Restaurant Group** New York, N.Y. Franchisor	144 (1,243.1*)	−88.4	171 (918*)	−81.4	Will this year be Grace's swan song in foodservice? Co. unloaded 51-unit Applebee's ($59.8MM) to Gourmet Systems. Taco Villa sale fell through, but chain is still on block.
126 (125)	**dāka** Wakefield, Mass. Foodservice management	142.6 (128.9†*)	10.6	347 (311)	11.6	Continued expansion through mergers with smaller local companies. Began decentralization of operations and an increase in local supervision of branches.
127 (New Member)	**Amerinet/ Valuefood Div.** St. Louis, Mo. Health care	140†** (—)	—	500** (—)	—	Purchasing organization grew from 225 member hospitals to more than 500 last year. Makes prime vendor agreements with local distributors.
128 (188)	**Unigate Restaurants Inc.** Dallas, Texas Diverse restaurants	139.5 (79.8)	74.8	176 (118)	49.2	Prufrock owners sold their 44 Black-eyed Peas and Dixie Houses to Unigate in '87. Co. also owns 121 Taco Buenos ($59.7MM), 4 Casa Bonitas ($13.8MM), 7 Crystals ($10MM).
129 (130)	**Navy Resale and Services Support Office** Staten Island, N.Y. Retail	138.9† (125.5†)	10.7	650 (538)	20.8	McDonald's outlets on naval installations have been such a big hit that agency is looking into other fast-food franchises. Croissants, French bread added in cafeterias.
130 (163)	**The Continental Cos.** Miami, Fla. Diversified franchisee	138 (94.5)	46	54 (43*)	25.6	Co. owns, operates: Sheraton, Hilton, Holiday Inn, Radisson, Marriott, Howard Johnson, Hampton Inn, most with foodservice. To add 7 in '88 in Caribbean, Latin America.
131 (153)	**Roma Corp.** Dallas, Texas Franchisor (full service/dinner houses)	136.8* (100**)	36.8	96 (75)	28	Roma Corp. is upgrading older units. Rib delivery strong in U.S. Co. also has units in the Orient, England, Canada, Guam, the Bahamas, Panama and Australia. Fy end 2/88.
132 (124)	**Mr. Gatti's Inc.** Austin, Texas Franchisor (fast food/pizza)	136 (131.2)	3.7	338 (335)	0.9	Plans to expand in existing TV advertising markets. Will reposition marketing of drive-thru, takeout and delivery segments. Introduced two-for-one offer. Fy end 7/87.
133 (170)	**W.B. Johnson Properties Inc.** Atlanta, Ga. Diversified franchisee	134.8 (91.8*)	46.8	125 (129)	−3.1	Rancho Mirage, Ritz-Carlton's "formal resort," to be completed in '88, along with hotels in Phoenix and Dearborn. Plans to expand Waffle House franchises in Southeast.
134 (128)	**State of Oklahoma Central Purchasing** Oklahoma City, Okla. Government institutions	132.3†** (126†)	5	43 (48)	−10.4	Provides purchasing and specification functions for correctional facilities, mental health institutions and dept. of veterans affairs. Dropped 5 units in '87.

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135 (134)	**Carrols Corp.** Syracuse, N.Y. Franchisee (fast food/hamburgers)	130 (120.1)	8.2	141 (138)	2.2	Biggest Burger King franchisee puts all bets in bun basket. Sold all Gyro-Wrap (Greek fast-food concept) and J. Brenner units. Opened 4 BK, sold 1 in '87.
136 (136)	**Caesar's World Inc.** Los Angeles, Calif. Lodging	130 (119)	9.2	34 (34)	0	Solid casino traffic has led to overall revenues increase, which has benefited f&b. No major renovations or theme changes planned for restaurants this year.
137 (135)	**Mazzio's Corp.** Tulsa, Okla. Franchisor (diverse restaurants)	130 (120)	8.3	197 (279)	−29.4	Co. is converting all remaining Scooter's Pizza Delivery stores into Mazzio's Pizza Delivery units. Ad budget for '88: $2.7MM, which includes Great Consumer Giveaway Promo.
138 (138)	**Fuddruckers Inc.** San Antonio, Texas Franchisor (fast food/hamburgers)	130 (118.4)	9.8	116 (105)	10.5	Gourmet burger chain returns from the brink with $88K profit. 9 units closed, 20 opened during '87. Extensive remodeling planned for co. stores. Japan, England target markets.
139 (131)	**Red Lion** Vancouver, Wash. Lodging	128.5 (125)	2.8	113 (73)	54.8	Finding reorganization under master limited partnership to be lucrative. Co. is targeting profitable business market, which puts banquet and restaurant facilities to heavy use.
140 (158)	**Chicago Board of Education, Dept. of Foodservice** Chicago, Ill. Schools	128.2†** (97.1†)	32	585 (591)	−1	Converted 2 dining areas to resemble fast-food operations. Modernized 3 operations. Breakfast promotions increased participation. Testing tamales, gyros. Fy end 6/88.
141 (137)	**Braum Ice Cream & Dairy Stores Co.** Oklahoma City, Okla. Full service (ice cream)	126.8* (118.8*)	6.7	200 (180*)	11.1	Family-owned, 200-unit co. plans to expand in its 3 states of operation (Okla., Kan., Texas). Ice cream mixes (candy, nuts), chicken fillet sandwich added to menu.
142 (132)	**Galardi Group** Newport Beach, Calif. Franchisor (fast food/varied)	125** (123.5)	1.2	340 (331)	2.7	Co. acquired 3 Chelsea's Choice yogurt and muffin shops; plans 2 more in conjunction with existing Weinerschnitzels and Hamburger Stands. Aggressive sale of franchises in '88.
143 (181)	**Days Inns of America Inc.** Atlanta, Ga. Diverse foodservice/lodging	125 (83.2*)	50.2	384 (359*)	7	Launched first national broadcast media ads. Expects to open 180 hotels in '88, 500 hotels in next 5 years. Columbia, Mo., became first Days Inn with Denny's unit located inside.
144 (110)	**Winners Corp.** Brentwood, Tenn. Diversified franchisee	124.7 (152.4)	−18.2	196 (229)	−14.4	Disposition of 11 Mrs. Winner's fast-food chicken restaurants and expenses related to resolving former franchisee lawsuits resulted in '87 revenue drop.
145 (203)	**TCBY Enterprises Inc.** Little Rock, Ark. Franchisor (fast food/yogurt)	121.2 (71)	70.7	822 (458)	79.5	Almost 70% of unit growth in '87 came from existing franchisees. Co. expects 1,200 stores by end of '88. Continuing "All of the Pleasure. None of the Guilt" ad campaign.
146 (146)	**The Wood Co.** Allentown, Pa. Diverse foodservice/management	120.7 (106.8)	13	194 (140)	[illegible]	Enhanced staff with director-level positions in finance, purchasing, training, mktg. and sales. Revenues up with success of takeout, delis and improved customer service.
147 (159)	**Commonwealth of Virginia** Richmond, Va. Government institutions	120.4† (97†)	24.1	83 (83)	0	Building an auxiliary lab on the facility's warehouse site. The lab will enable testing of more products more often, especially non-USDA checked items. Fy end 6/88.
148 (139)	**Kettle Restaurants Inc.** Houston, Texas Franchisor (full service/family dining)	120 (114.8)	4.5	207 (195)	6.2	Kettle built atrium additions onto existing units. Added salad/buffet bars. New units incorporate an atrium with a wood ceiling that cuts HVAC costs. Fy end 10/87.

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149 (149)	**Papa Gino's of America Inc.** Dedham, Mass. Full service (pizza)	120 (104.1)	15.3	200 (180)	11.1	Expanding beyond the New England territory with units planned for Fla. in '88. Sales went up $16MM with 2.4% of sales spent on advertising. Fy end 10/87.
150 (161)	**National Pizza Co.** Pittsburg, Kan. Franchisee (full service/pizza)	120** (96**)	25	290 (245)	18.4	Will increase number of delivery-only units, which use a computerized central order-taking facility. Delivery-only units AUV: $350K vs. restaurant AUV: $475K. Fy end 3/88.
151 (133)	**Walgreen Co., Food Division** Deerfield, Ill. Diverse restaurants	119.3 (121.1)	−1.5	120 (151)	−20.5	Co. continued phase-out of drugstore food counters. Rolled out new Wag's menu and remodeled interiors only to announce plans to sell 87 units in '88. Fy end 8/87.
152 (115)	**Wom Enterprises Inc.** Coral Gables, Fla. Foodservice management	118.7†** (147†)	−19.3	1,140 (44)	2490.9	Added office building services (food and beverage) to its available offerings. Upgraded equipment. Opened 49 in-plant feeding units.
153 (185)	**Sbarro Licensing Corp.** Commack, N.Y. Franchisor (full service/Italian)	117** (81.3*C)	43.9	253 (190)	33.2	Expansion continues with 51 company-owned and 12 franchised stores in '87. Co. will invest $20MM in capital expansion for 60-65 new stores in '88. Customer counts up 1.5%.
154 (111)	**Omni Hotels Corp.** Hampton, N.H. Lodging	116.8 (150.4)	−22.3	80* (92)	−13	Building multipurpose concepts such as Juliette's in Jacksonville, Fla. Continued emphasis on f&b promos (Fête de Bourgogne, Taste the Gold) and nutritional menu items.
155 (140)	**El Chico Corp.** Dallas, Texas Franchisor (full service/dinner houses)	112 (112.6)	−0.5	98 (102)	−3.9	Nashville, Tenn., a hot market, gets second El Chico. Others due in Baton Rouge, La., Rockwell, Texas. Closed poor performers in Houston, Dallas and Okla.
156 (New Member)	**CHE Inc.** Solana Beach, Calif. Full service (dinner houses)	111.1* (—)	—	63 (—)	—	15 Paradise Bakery units acquired in 4/87; 1 new Chart House unit opened in 1/88. Co. will use proceeds from an 8/87 stock offering to pay outstanding debt.
157 (148)	**Del Taco Inc.** Costa Mesa, Calif. Franchisor (fast food/Mexican)	110 (105**)	4.8	200 (186)	7.5	Anwar Soliman strikes again! His American Restaurant Group scooped up Del Taco in 3/88. The units will be merged into Naugles, making it the No. 2 Mexican chain behind Taco Bell.
158 (167)	**RPM Pizza Inc.** Gulfport, Miss. Franchisee (fast food/pizza)	109 (93.5)	16.6	227 (197)	15.2	Domino's franchisee has done moderate restructuring. Operations, formerly handled by 2 people, are now sole responsibility of a senior VP of operations. AUVs up nearly 5%.
159 (144)	**Brown & Portillo Inc.** Lombard, Ill. Franchisor (fast food/chicken)	108.1* (108.1*)	—	158 (158)	0	Brown's Chicken successful catering enterprise kept sales steady. Store remodeling continues; moving toward lighter, brighter look. Plan is to expand into Fla. market in '88.
160 (190)	**Humana Inc.** Louisville, Ky. Health care	106.4† (78.2†*)	36.1	86 (87)	−1.1	Reaping benefits from "vertical" strategy; almost 10% of patient days came from group health insurance policyholders. Recently bought 2 of Maxicare's HMOs.
161 (145)	**J.B.'s Restaurants Inc.** Salt Lake City, Utah Diverse restaurants	105.5 (107.2)	−1.6	110 (121)	−9.1	Co. quit Big Boy chain, plans to operate in core Southwest market under own name. Revamped management. Sold poor performers, bakery, meat plant, satellite commissary. Fy end 9/87.
162 (154)	**Illinois Department of Central Management Services** Springfield, Ill. Government institutions	105.2†** (99.8†)	5.4	86 (86)	0	State plans to change computer programming system in effort to speed up ordering and delivery, which will allow individual units to make last-minute menu changes.

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163 (156)	**Rodeway Inns International Inc.** Phoenix, Ariz. Lodging	105 (99*)	6.1	159 (152)	4.6	Plans to go national in 3-5 years. New design features breakfast bar/atrium/conference room unit. Aggressive telemarketing targeted to small groups. New reservations system.
164 (152)	**Taco John's International** Cheyenne, Wyo. Franchisor (fast food/Mexican)	102.6 (100)	2.6	420 (403)	4.2	Real growth hit 2.6% Co. predicts 20% annual growth rate for next 3-4 years. New-unit AUVs tend to exceed older stores by 5%. Major thrust is in secondary cities, small towns.
165 (New Member)	**Franchise Associates Inc.** South Weymouth, Mass. Franchisor (full service/family dining)	102** (—)	—	141 (—)	—	Management and marketing co. is owned and operated by Howard Johnson restaurant franchisees, retains exclusive franchise rights to HoJo restaurants. Fy end 4/88.
166 (165)	**Astor Restaurant Group Inc.** New York, N.Y. Franchisor (fast food/subs)	101.8** (94**)	8.3	300 (265)	13.2	Operator of 298 Blimpies and 2 Border Cafes is heading for stronger advertising and promotion endeavors. Blimpie expansion includes more free-standing units with drive-thrus.
167 (175)	**RTM Inc.** Tucker, Ga. Franchisee (fast food/roast beef)	100 (90)	11.1	177 (143)	23.8	RTM on high RPMs in '87 as Arby's franchisee added 34 units. Plans 35 in '88. Interest in sites spread from Sun Belt, Midwest to all across the land. Fy end 5/88.
168 (166)	**Trusthouse Forte Food Services Inc.** Trumbull, Conn. Foodservice management	100 (93.8†)	6.6	321 (280)	14.6	Co. is setting the chart for the future with increased college recruitment, improved management training and employee recognition. PC: Trusthouse Forte PLC. Fy end 4/88.
169 (173)	**Consolidated Products Inc.** Indianapolis, Ind. Franchisor (diverse restaurants)	99.3 (90.7)	9.5	122 (107)	14	Operates Steak n Shake, Snak's Park Avenue, Jeremiah Sweeney's, Carlos Sweeney's, Charley Horse, Wheel Works, Big Wheel, Gold Rush, Santini's Italian Cafe. Fy end 9/87.
170 (157)	**Pioneer Take Out Corp.** Los Angeles, Calif. Franchisor (fast food/chicken)	98.2* (98)	0.2	252 (290)	−13.1	Despite Chapter 11 bankruptcy proceedings, expansion in existing markets and development of new mini-units is planned. Co. is subsidiary of Transpacific Industries.
171 (171)	**Metropolitan Chicago Healthcare Council** Chicago, Ill. Health care	98† (91†)	7.7	100 (102)	−2	85% of all purchases by 100 member organizations (96 hospitals, 4 nursing homes) were contracted through committee and committed upfront.
172 (160)	**Druther's International Inc.** Louisville, Ky. Franchisor (fast food/hamburgers)	96.2 (96.9)	−0.7	162 (155)	4.5	9 units opened, 2 closed last year. Operates 3 Fresher Cookers. Co. mum on new products, promos. This year marks 25th anniversary of original Burger Queen. Fy end 10/87.
173 (172)	**State of California Dept. of Rehabilitation** Sacramento, Calif. Government institutions	95.2† (90.9†)	4.7	278 (275)	1.1	Began development of statewide vending machine service in roadside rest areas off public highways that are maintained by State Transportation Dept.
174 (270)	**State of Wisconsin** Madison, Wis. Government institutions	95.2† (50.4†**)	88.9	46 (39)	17.9	New administration in '87 reviewed current operating procedures and established a food survey committee. Looking into installing computerized purchasing.
175 (143)	**Jamco Ltd./Mr. Steak** Littleton, Colo. Franchisor (full service/steakhouses)	95 (111.1)	−14.5	146 (175)	−16.6	Mr. Steak's parent co., Jamco Ltd., filed for Chapter 11 bankruptcy in 10/87. Formed a marketing co-op that will handle ads and marketing as part of its reorganization.
176 (164)	**Skipper's Inc.** Bellevue, Wash. Franchisor (fast food/seafood)	95 (94)	1.1	219 (206)	6.3	'88 a back-to-basics, rebuilding year. Will avoid distractions by focusing on existing units, products. Budgeted extra $400K to improve repairs and maintenance system.

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177 (174)	**Lyon's Restaurants Inc.** Foster City, Calif. Full service (family dining)	92** (90.1)	2.1	61 (61)	0	Sara Lee Corp.'s Lyon's Restaurants Inc. is in the midst of an aggressive remodeling program. Co. remodeled 12-15 units in '87. Fy end 7/88.
178 (82)	**Food Concepts Inc.** Rutherford, N.J. Foodservice management	90* (225†)	−60	720 (633)	13.7	Owned by Hawley Group, which, in early '88, bought ADT Security; new name is Food Concepts Inc./ADT Co. There have been many changes in top management.
179 (176)	**Fosters Freeze International** Arroyo Grande, Calif. Franchisor (fast food/ice cream)	90 (89)	1.1	194 (210)	−7.6	Co. to spend $5MM for growth, incl. 3 units in Ariz., 15 in Calif. Customer counts up 20% in '87. New standardized building and decor. Adding pre-made salads, fish items.
180 (168)	**International King's Table Inc.** Eugene, Ore. Full service (cafeterias)	90 (93)	−3.2	90 (81)	11.1	Purchased by Horn & Hardart in early '88. Accelerated restaurant openings with 5 new units in second half fiscal '87 and 4 slated for first half fiscal '88. Fy end 6/88.
181 (207)	**Franchise Enterprises Inc.** Rocky Mount, N.C. Franchisee (fast food/hamburgers)	90 (70)	28.6	123 (95)	29.5	Big-little news: Hardee's franchisee added 32 units in '87, annexed territory in La., Texas and Okla. Co. will implement new smaller unit in '88. Fy end 3/88.
182 (180)	**Servico Management Corp.** West Palm Beach, Fla. Diversified franchisee	89.3 (85)	5.1	60 (55)	9.1	Co. owns luxury Royce hotels, manages Holiday Inns, Sheratons, Hiltons, which have 60 restaurants in all, with different names, different menu concepts, prices.
183 (200)	**U.S. Dept. of Justice, Federal Prison System** Washington, D.C. Government institutions	88.2† (72.8†)	21.2	47 (47)	0	System hired dietitian as part of push toward more healthful menus; hopes to dish out less fried food and heavy starches, more stir-fry. Vegetarian items are offered, too.
184 (195)	**MHM Inc.** Dallas, Texas Diversified franchisee	87.5** (75)	16.7	60 (60)	0	Co. has 70 hotels, 17 different brands. '88 will bring very little new development, but MHM will acquire as many as 15 new "take backs" due to bankruptcies.
185 (177)	**Trans/Pacific Restaurants Inc.** Irvine, Calif. Diversified franchisee	86.9 (86.2)	0.8	54 (53)	1.9	In year following LBO headed by Pres. Ronald Higgins, opened Blue Cactus Southwestern concept in 3/88 in Torrance, Calif. Monterey Bay Canners testing pasta. Fy end 3/88.
186 (155)	**Adventist Health System** Shawnee Mission, Kan. Health care	86.5† (74.8†R)	15.6	143 (118)	21.2	Further implementation of national food purchasing contract with prime vendor, regional contracts. More cafeteria and catering functions. Fewer patient meals.
187 (178)	**Loews Hotels** New York, N.Y. Lodging	86.2 (85.6)	0.7	74 (74)	0	Final phase of $16MM renovation of New York's Regency Hotel will be new restaurant called 540 Park. Co. introduced Loews First, a frequent-traveler program.
188 (162)	**AIRCOA** Englewood, Colo. Diversified franchisee	86 (95.2*)	−9.7	121 (102*)	18.5	Tooting its Clarion Collection upscale hotel concept. Co. says thumbs down on building, but up on acquiring. Focus: new mgmt. contracts. In market for 12-unit chain in Canada.
189 (214)	**Interstate Hotels Corp.** Pittsburgh, Pa. Diversified franchisee	85.5 (68)	25.7	103 (87)	18.4	Operator of Hilton, Sheraton and other luxury properties opened 4 hotels in '87, also renovated f&b facilities. In '88, co. will acquire 3 and build 3 hotels.
190 (186)	**Red Robin International** Irvine, Calif. Franchisor (full service/dinner houses)	85 (81)	4.9	47 (47)	0	17 company-owned units, 26 franchised units and a respectable AUV of $1.8MM. Red Robin opened 8 units in '87; 8 are planned for '88. Executive level restructured in '87.

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191 (187)	**Swensen's Ice Cream Co.** Phoenix, Ariz. Franchisor (full service/family dining)	84.4* (80**)	5.5	356* (350)	1.7	340-outlet Swensen's sold to much smaller Steve's (30 stores). Patrick Doughty stepped down as pres. and chairman; Swensen's VP Gary Stevens will stand in pro tem.
192 (104)	**Forte Hotels International** El Cajon, Calif. Lodging	83.8* (170)	−50.7	83* (440)	−81.1	Forte has 404 Travelodges, 12 Viscounts and 4 hotels in its Exclusive division. Coming in '88: 1 Viscount in Niagara Falls, N.Y., plus at least 14 Travelodges.
193 (213)	**Cracker Barrel Old Country Store Inc.** Lebanon, Tenn. Full service (family dining)	83 (68)	22.1	53 (47)	12.8	Co. opened 6 units in '87 and will open 8 more in '88. Sales are up due to new units and increased same-unit sales. Focus is on market selection.
194 (212)	**Pizza Management Inc.** San Antonio, Texas Diversified franchisee	81 (68.2)	18.8	193 (172)	12.2	Delivery-only Pizza Hut units, which have more than doubled from 14 to 30, have spearheaded the jump in sales. Co. also operates 9 Taco Bells and 1 Cuban restaurant. Fy end 7/87.
195 (313)	**Restaurants Unlimited Inc.** Seattle, Wash. Diverse restaurants	80 (41)	95.1	74 (18)	311.1	Fast-food Cinnabon concept bolstered staff for expansion push—42 units in '88. Full-service restaurants will grow moderately with just 3 new units to ensure high-quality execution.
196 (193)	**Benihana of Tokyo Inc.** Miami, Fla. Full service (Japanese)	79.6 (75)	6.1	48 (46)	4.3	Benihana's testing a double steak portion, planning to add a steak and prawn entree. 1 unit opened in '87; 2 will open in '88. More regional supervision coming.
197 (211)	**Bill Knapp's Michigan Inc.** Battle Creek, Mich. Full service (family dining)	78.5* (69.6*)	12.8	67 (62*)	8.1	Chicken, fish and steak items that were tested in Ill. restaurants proved successful enough for the co. to plan to add them to menus systemwide in '88.
198 (235)	**Lettuce Entertain You Enterprises Inc.** Chicago, Ill. Diverse restaurants	78.5 (60**)	30.8	31 (32)	−3.1	Restaurant King Rich Melman keeps expanding his kingdom; he added 3 units in '87 and plans 3 more for '88. Management contracts now outnumber company-owned stores.
199 (205)	**Dayton Hudson Department Store Co.** Minneapolis, Minn. Retail	78** (70)	11.4	339 (299)	13.4	Co.'s Marketplace concept selling prepared foods saw great sales growth in '87. Calorie counts on menus in sit-down restaurants a popular addition. Fy end 1/88.
200 (New Member)	**Six Flags Corp.** Arlington, Texas Recreation	78 (—)	—	350 (—)	—	This former Bally Mfg Corp. subsidiary. was sold early '87. 7 theme parks have range of fs., from full-service restaurants to portable carts. New food court opening in '88 at Texas park.
201 (189)	**HRI-Purchase Connection** Los Angeles, Calif. Health care	77.3† (78.4†)	−1.4	159 (162)	−1.9	Added 10 facilities, including acute-care hospitals, extended-care facilities and elderly feeding. Instituted new cost per patient analysis in '87.
202 (151)	**Guest Services Inc.** Fairfax, Va. Foodservice management	77.3† (100)	−22.7	147 (122)	20.5	Discontinued operation of its Mr. Gatti's pizza franchise (5 units). Will continue to emphasize feeding in health care, schools, B&I and museums.
203 (192)	**The Mariner Corp.** Houston, Texas Diversified franchisee	77.3 (75.4)	2.5	104 (104)	0	Operator of Sheraton, Marriott and others sold 3 hotels and acquired 3 in '87. Co. plans to increase acquisitions in coming months and move into Ariz. market.
204 (202)	**Resorts International Inc.** North Miami, Fla. Diverse foodservice/lodging	77* (72*)	6.9	24* (24*)	0	Donald Trump sold controlling stock to Merv Griffin. Opening of Taj Majal casino in Atlantic City, N.J., now postponed until sometime this summer.

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205 (194)	**Elby's Restaurants Inc.** Wheeling, W.Va. Diverse restaurants	77 (75)	2.7	72 (74)	−2.7	Stronger marketing emphasis on children in menu of Elby's family restaurants (11 franchised, rest company-owned). For '88: 2 units in Va., a new area. Fy end 3/88.
206 (216)	**Calny Inc.** San Mateo, Calif. Diversified franchisee	77 (67.8)	13.6	135 (158)	−14.6	Co.'s hit-and-miss efforts to solve internal management problems proved too much for franchisor, Taco Bell. PepsiCo finally acquired its largest franchisee in late '87.
207 (230)	**Famous Restaurants Inc.** Scottsdale, Ariz. Full service (dinner houses)	76.2 (60)	27	42 (38)	10.5	Sales reflect $5MM franchisee sales. Stores in single-unit markets proved too expensive to support. Bought back Alaska franchise; closed Los Angeles store and 3 Midwest operations.
208 (201)	**Princess Hotels International** New York, N.Y. Lodging	75.7* (72.8*)	4	33 (34)	−2.9	At Scottsdale, Ariz., Princess, co.'s first U.S. resort, 4 restaurants entice both guests and locals. Switched from partials to full-page print ads for individual hotels.
209 (197)	**Consul Restaurant Corp.** Minneapolis, Minn. Franchisee (full service/Mexican)	75 (74)**	1.4	36 (38)	−5.3	Mature (4-year-old) Chi-Chi's get face lift. Co. happy with new Chi-Chi's and Chi-Chi's EL Prontos in food courts: start-up costs low, returns high. Fy end 5/88.
210 (224)	**Original Great American Chocolate Chip Cookie Co.** Atlanta, Ga. Franchisor (fast food/cookies)	75* (63.1*)	18.9	375 (406)	−7.6	Co. divulges no information, but sweets market continues to be hot. Chain's growth keeps pace with this trend.
211 (219)	**McFaddin Ventures** Houston, Texas Full service (diverse restaurants)	74.3* (66.7)	11.4	37 (46)	−19.6	This successful nightclub operator (Studebakers, Confetti, etc.) is looking carefully at specific markets, converting some units to its R'n'R concept.
212 (117)	**Prime Motor Inns** Fairfield, N.J. Lodging	74 (145*)	−49	70 (271*)	−74.2	Conversion of HoJo restaurant to Herbie K's, a diner concept, quadrupled sales in Cocoa Beach, Fla. Carlyle's Restaurants grew, too. Using internal cash flow to expand.
213 (279)	**New Jersey Dept. of Corrections** Trenton, N.J. Government institutions	73.9†** (47.6†**)	55.3	45 (17)	164.7	A computerized food management information system implemented in '87. Fish nuggets and chicken cutlets were added to menus. Vegetarian entrees being tested. Fy end 6/88.
214 (228)	**Universal Services Inc. International** Seattle, Wash. Foodservice management	73.5* (61)	20.5	211* (211)	0	This offshore and support services company was purchased last year by Seattle-based International Catering Enterprises Inc.
215 (210)	**Convenient Food Marts** Rosemont, Ill. Retail (convenience stores)	72.5* (69.7**)	4	1,310* (1,306)	0.3	10 test stores are featuring a fresh-baked muffin program. Co. acquired the 55-unit Minit Mart Quick Shop chain, based in Vancouver, Wash.
216 (New Member)	**National Heritage Corp.** Dallas, Texas Health care	71.1† (—)	—	231 (—)	—	Co. is fourth-largest operator of nursing homes and retirement facilities. Foodservice is controlled by 5 regional divisions. PC: Southmark Corp.
217 (204)	**The Happy Steak Inc.** Fresno, Calif. Franchisor (diverse restaurants)	70.9** (70.9**)	—	95 (102)	−6.9	Happy Steaks are being converted to Brook-Hill restaurants on a regular basis. The conversion is an upgrade of image and decor. Co. is testing senior discounts.
218 (196)	**The Marcus Corp.** Milwaukee, Wis. Diverse foodservice/lodging	70.7* (74.7)	−5.4	109* (116)	−6	Midwest Big Boy franchisee (also operates other restaurant concepts, motor inns and movie theaters) suing Marriott over transfer of BB franchising rights to Elias Brothers.

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219 (184)	**Associated Hosts Inc.** Beverly Hills, Calif. Diverse restaurants	70.2** (81.5)	−13.9	60 (54)	11.1	AH spent $500K renovating its Beverly Hillcrest Hotel and reported a positive profit turnaround in '87. Sales fig. excludes sales from discontinued operations. Fy end 9/87.
220 (218)	**Summa Corp.** Las Vegas, Nev. Lodging	70.2* (66.9*)	4.9	48* (48*)	0	Co.'s last year in "400." Completed sale of all hotel properties in early '88. Bally Grand bought 756-room Sands, sold it to Sheldon Adelson, the computer-trade show pioneer.
221 (182)	**Professional Food-Service Management Inc.** Northbrook, Ill. Foodservice management	70 (82.8†*)	−15.5	132 (105)	25.7	Customer counts down 4% for co., which targets fs. on college campuses and in summer camps. One strategy for '88: improving computerized recipe system. Fy end 8/87.
222 (208)	**New York State Office of Mental Health** Albany, N.Y. Government institutions	70†** (70†)	—	32 (32)	0	Centralized cook/chill production facility is in design phase. Computerized food ordering system to be ready in early '88 and implemented throughout year.
223 (205)	**C.A. Muer Corp.** Detroit, Mich. Diverse restaurants	70 (70)	—	14 (31)	−54.8	Say goodbye to Muer's 9-unit dinner house division, sold in '87, but say hello to the 2-4 new units slated for '88 openings. Fla. will be Muer's hot growth region.
224 (217)	**Taco Time International Inc.** Eugene, Ore. Franchisor (fast food/Mexican)	70 (67)	4.5	264 (223)	18.4	Family-owned chain restructuring following departure of sibling Joe Fraedrick. Will hire mktg. dir., look to foreign expansion. Created video training program. Fy end 9/87.
225 (226)	**Sybra Inc.** Dunwoody, Ga. Franchisee (fast food/sandwiches)	69.2 (62)	11.6	115 (104)	10.6	Arby's franchisee will spend $10MM for capital expansion this year. 21 units targeted for cities in Texas, Md., Va., Pa. and the Midwest. AUV increased to $648K from $640K.
226 (215)	**Sonny's Real Pit Bar-B-Q Inc.** Gainesville, Fla. Franchisor (full service/barbecue)	68* (68)	—	75 (79)	−5.1	Sonny's is being very careful with site selection. Built 9 new units in '87, closed 4. Plans 4-6 new units in the Southeast for '88. Promoting 20th anniversary in May.
227 (253)	**Forbco Management Corp.** Long Beach, Calif. Franchisee (full service/steakhouses)	67.5 (55)	22.7	34 (31)	9.7	Sizzler franchisee opened only 1 unit in '87. Concentrated on remodeling all stores. Decor is now lighter, brighter. Pasta and salad bars will be built bigger and longer.
228 (276)	**Harcourt Brace Jovanovich Co.** Orlando, Fla. Recreation	66.3 (48.7)	36.1	73 (58)	25.9	Sea World operator is riding the waves of success with the addition of 15 units in '87 and 15 more due for '88. Sea World of Texas in San Antonio was christened in 4/88.
229 (221)	**North Central Food Systems Inc.** Minneapolis, Minn. Franchisee (fast food/hamburgers)	66 (65)	1.5	75 (65)	15.4	Hardee's franchisee in 8 North Central states acquired 2, built 3 units in '87. To build 5 in '88. Expand in Wyo. and Mont. 3 regional headquarters consolidated to 2. Fy end 9/87.
230 (273)	**Theo H. Davies & Co. Ltd.** Honolulu, Hawaii Diversified franchisee	66** (50**)	32	66 (40)	65	Mercedes Benz & Caterpillar dealer operates Taco Bells and Pizza Huts in one of the most competitive markets. Hawaii is No. 1 on index for dual-income families and working women.
231 (225)	**May Department Stores** St. Louis, Mo. Retail	65.8* (62.7*)	4.9	394** (375**)	5.1	Company still owns Venture and Famous-Barr retail discount stores, both of which feature casual cafeteria concept.
232 (243)	**Twenty-First Century Corp.** Englewood, N.J. Franchisee (fast food/hamburgers)	65* (58*)	12.1	36* (35)	2.9	McD's franchisee operates in N.Y. and N.J. We've heard they're remodeling older units; heard they opened new 1 in '87. But we didn't hear that (or anything) from them.

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233 (274)	**Fairmont Hotel Co.** San Francisco, Calif. Lodging	65 (50*)	30	21 (29*)	−27.6	New Chicago hotel houses casual Italian and formal French restaurants, plus a supper club. New San Jose, Calif., hotel shows Oriental influence. '88 will be year of consolidation.
234 (223)	**The Jan Cos.** Cranston, R.I. Diversified franchisee	64.7 (60)	7.8	62 (60)	3.3	BK franchisee runs other fast-food concepts: Acorns, Hungry's and 1 country club. In '88 will diversify into other franchises, also dual concepts under 1 roof. Fy end 9/87.
235 (191)	**K-Bob's Steak Houses Inc.** Dallas, Texas Franchisor (full service/steakhouses)	64.5 (77)	−16.2	85 (96)	−11.5	A rough year for K-Bob's. Co. closed 10 units; systemwide f&b sales dropped $12.5MM. Co. added more Mexican items in '87. Testing hot food bar. Fy end 6/88.
236 (231)	**Magic Pan** San Francisco, Calif. Full service (dinner houses)	64 (60)	6.7	58 (64)	−9.4	Co. closed 8 units but opened 2 new ones in '87. '88 will bring 8 new units. Co. also operates Frogg Lane, Pucks, T. Bones and Laredo's. Fy end 6/88.
237 (183)	**TrettCo Inc.** Farmington Hills, Mich. Foodservice management	63.4† (82.5†)	−23.2	86 (110)	−21.8	Operator of HDS Services and Triplett Services spun off the Canadian div. of HDS to focus on more lucrative markets in U.S., especially in the Sun Belt. Computerization now complete.
238 (227)	**U.S. Restaurants Inc.** Norristown, Pa. Diversified franchisee	63.2 (62**)	1.9	53 (51)	3.9	Ponderosa and BK franchisee added 1 of each in '87. Will open 1 BK, 3 Ponderosas in '88. Remodeling continuous. Testing pizza for BK, broiled trout for Ponderosa. Fy end 6/88.
239 (255)	**New York City Health and Hospitals Corp.** New York, N.Y. Health care	63† (53.8†)	17.1	16 (16)	0	Continues to look at further computerization within the system. Serving more poultry and fish items, though fried chicken still popular.
240 (236)	**State of Rhode Island Purchasing Div.** Providence, R.I. Government institutions	62.9†** (59.9†**)	5	294** (294**)	0	Purchasing for schools, colleges, hospitals, prisons and mental health facilities. Plans are to implement a computerized purchasing system in '88.
241 (229)	**Buehler-Ruckriegel Inc.** Jasper, Ind. Diversified franchisee	62.5 (60.3)	3.6	117 (112)	4.5	Polishing Long John Silver's by remodeling all 90 fast-food units. Co. also franchises Grandy's, Jerry's, Wendy's in Central Ind.
242 (241)	**Trefz Corp.** Bridgeport, Conn. Franchisee (fast food/hamburgers)	62.3* (58.2*)	7	43 (43*)	0	A summary of what we know about Trefz: That's a family name; this McD's franchisee did not open new units in '87; but, since McD's had a very good year, so did Trefz.
243 (150)	**Veterans Canteen Service** Washington, D.C. Health care	62.2† (104†)	−40.2	172 (175)	−1.7	Operates full-service cafeterias, fast food and vending in 172 Veterans Administration medical centers. In '87, remodeled 9 cafeterias, promoted deli sandwich shops.
244 (246)	**Eat'N Park Restaurants Inc.** Pittsburgh, Pa. Full service (family dining)	61 (56)	8.9	46 (45)	2.2	Customer counts are up 5.4%, AUVs increased to $1.3MM from $1.2MM in '86, and sales are up $5MM. In all, '87 was a sound year. Remodeling for in-store bakeries continues.
245 (237)	**Rusty Pelican Restaurants Inc.** Irvine, Calif. Full service (dinner houses)	60.2 (59.8)	0.7	21 (19)	10.5	Co. purchased by Paragon Restaurant Group Inc. in 11/87. 2 units opened in '87 (Glendale, Calif., and suburban Chicago); 2 coming in '88. Fy end 8/87.
246 (339)	**David's Specialty Foods** New York, N.Y. Franchisor (fast food/varied)	60* (36.5*)	64.4	400 (200**)	100	400 units include 150 David's Cookies franchises and 250 David's bake-off units in retail, department and grocery stores. Co. sells cookie dough in 2,000 retail outlets.

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247 (266)	**Pizza Hut of Titusville Inc.** Wichita, Kan. Franchisee (full service/pizza)	59.7 (50.6)	18	98 (92)	6.5	The success of delivery-only units is driving up profits in Fla.-based stores. 5 such units now account for $13.3MM (AUV $266K). This year's expansion plans call for 8 new units.
248 (245)	**Helmsley Hotels** New York, N.Y. Lodging	59.3* (56.5*)	5	66* (66)	0	Indictments on tax evasion charges could interfere with management of $5 billion empire. Flagship Helmsley Palace filled only 65% of beds, but high rates kept profits up.
249 (New Member)	**Buffets Inc.** Eden Prairie,, Minn. Full service (cafeterias)	58.3^C (—)	—	36 (—)	—	Customer counts increased 104% from '86. 13 units opened in '87, with 20 more planned for '88. Expansion will be in Southeast and Midwest. Free Flurry ice cream a solid promo.
250 (242)	**Del E. Webb Hotels** Phoenix, Ariz. Lodging	58* (58*)	—	22 (22)	0	All 3 casino/hotels up for sale. King's Court (3 fast-food franchises) opened in Del Webb's Mint hotel, where upscale Italian concept is also a smash with customers.
251 (310)	**Houston's Restaurants** Atlanta, Ga. Full service (dinner houses)	58** (42*)	38.1	16 (15)	6.7	Co. opened in Kansas City, Mo., in '87 and opened its third Houston's in Houston in 4/88. Later this year a third Atlanta unit will open; Phoenix, Ariz., market is next.
252 (282)	**Restaurant Management Co.** Wichita, Kan. Diversified franchisee	57.7* (47.4*)	21.7	110 (88)	25	Diversified franchisee is strong, silent type. Strong on sales, silent on info about 56 Pizza Huts, 24 Grandy's and 29 Long John Silver's. Switched from fiscal year to calendar year.
253 (249)	**Lifestyle Restaurants Inc.** New York, N.Y. Diverse restaurants	57 (55.9)	2	49 (51)	−3.9	Operator of 49 Beefsteak Charlie's was acquired by Bombay Palace Restaurants in 9/87. '88 will bring expansion of franchise division and 2 new company-owned units.
254 (235)	**Rocky Rococo** Madison, Wis. Franchisor (full service/pizza)	57 (60)	−5	121 (114)	6.1	Co. bought by execs of Public Storage Corp. in '87. Founders continue as franchisees in Madison, Wis. Pizza by the slice accounts for 64% of sales; drive-thrus help. Fy end 3/88.
255 (222)	**American Medical International Inc.** Beverly Hills, Calif. Health care	56.4†* (64.2*)	−12.1	90 (122)	−26.2	To combat the effects of DRGs, implemented corporatewide "AMI Change" program to enhance patient care while controlling costs.
256 (263)	**Atlanta Family Restaurants Inc.** Atlanta, Ga. Diversified franchisee	56.3 (51)	10.4	45 (39)	15.4	Year of expansion pays off for franchisee of Shoney's, Village Inn Pizza. Added 6 Shoney's in '87. New territory for 6 new Shoney's in '88: greater Atlanta area.
257 (169)	**The Registry Hotel Corp.** Dallas, Texas Lodging	56 (92.6)	−39.5	45 (61)	−26.2	Bought 5 hotels in Fla., Texas, Calif., sold 2. Looking to pick up luxury properties, make them turn a profit. Restaurants switching from continental to regional American cuisine.
258 (238)	**North Carolina Department of Administration** Raleigh, N.C. Government institutions	56†** (58.8†**)	−4.8	24 (25)	−4	Children's hospital sold to Duke University. New central warehouse for Dept. of Corrections. Centralization for other areas possible in '88.
259 (253)	**Bobby McGee's USA Inc.** Phoenix, Ariz. Full service (dinner houses)	56** (55**)	1.8	20 (22)	−9.1	No new company-owned units slated for '88 but 2 will open in '89. A new franchisee will open 5 units in Australia and New Zealand in 8 years. Best seller? Prime rib. Fy end 6/88.
260 (259)	**Wendy's Food Systems Inc.** Akron, Ohio Franchisee (fast food/hamburgers)	56 (52)	7.7	81 (80)	1.3	Large Wendy's Midwest franchisee closed 3 units, opened 1 in '87. Plans to open 2 in '88. Annual remodeling of older units continues. AUV: $700K.

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261 (247)	**Dept. of Public Welfare-Commonwealth of Pa.** Harrisburg, Pa. Government institutions	56†** (56†**)	0	33 (36)	−8.3	This branch of Pa. government services mental health facilities, hospitals and youth development centers. Fy end 6/88.
262 (284)	**Ohio Dept. of Rehabilitation & Correction** Columbus, Ohio Government institutions	55.7† (46†)	21.1	17 (20)	−15	Purchases only for correctional facilities. Now buys from central warehouse. Opened 2 more operations in '87; plans to open 4 new facilities in '88.
263 (332)	**The Levy Restaurants** Chicago, Ill. Diverse restaurants	55 (38)	44.7	30 (27)	11.1	Levy opened a beautiful Chicago bistro, Bistro 110, in '87, plus a deli and a bagel bakery. 5 units will open in '88: 3 in Chicago, 2 at Disney World.
264 (179)	**Doubletree Inc.** Phoenix, Ariz. Lodging	55 (85)	−35.3	70 (40[B])	75	Started CARE, a service program to boost awareness of customers, employees. Wants to refine f&b, not create new concepts. Southwestern, Pritikin menus are hits.
265 (297)	**Ohio State Dept. of Mental Health** Columbus, Ohio Government institutions	54.9† (44.8†)	22.5	80 (50)	60	Purchases for correctional and mental health facilities, as well as mental retardation, youth and agi[illegible] services. Opened 4 prisons in '87.
266 (257)	**Houston Independent School District** Houston, Texas Schools	54.6†** (53†**)	3	225 (226)	−0.4	Management reorganizing training system to accomplish uniformity throughout the district. Considering lighter menu items to satisfy parents. Fy end 8/88.
267 (265)	**Seafood Broiler Restaurants** Lakewood, Calif. Full service (dinner houses)	54.4 (51)	6.7	28 (24)	16.7	Selling all 28 units to General Mills; will be converted to Red Lobsters. Restaurants' staffs will be retained. Corporate offices will move to Orlando, Fla.
268 (239)	**Sea Galley Stores Inc.** Mountlake Terrace, Wash. Full service (dinner houses)	54 (58.7)	−8	50 (49)	2	Customer counts off 2.8% but returned to profitability for first time since '83. Shift to consumer-driven system, keeping ear to the ground, ready to cater to consumer desires.
269 (301)	**Pancho's Mexican Buffet Inc.** Fort Worth, Texas Diverse restaurants	54 (43.1)	25.3	56 (42)	33.3	Business hopping like jumping beans. Sales are 25% above last year. Thanks to accelerated expansion program, predicted bottom-line growth of 25% seems on target. Fy end 9/87.
270 (287)	**U.S. Army Medical Department** Falls Church, Va. Government institutions	53.5† (45.1†)	18.6	51 (51)	0	Computer system for foodservice management and nutrition analysis was introduced in 2 hospitals in '87, will expand to others in '88. Breakfast bar is being pushed.
271 (269)	**State of Connecticut, Purchasing Dept.** Middletown, Conn. Government institutions	52.9†** (50.4†**)	5	200 (200**)	0	Majority of purchasing done for group homes, schools, prisons and mental health units. Changes in raw material usage at meat processing plant cut costs.
272 (251)	**Uno Restaurant Corp.** West Roxbury, Mass. Franchisor (full service/pizza)	52.3 (55)	−4.9	41 (35)	17.1	Owner of Pizzeria Uno chain went public in 6/87, ending the year as the 10th best performing initial public offering. Plans to add 12 units in '88. Fy end 9/87.
273 (277)	**Triton Investment Co. Inc.** Greenboro, N.C. Franchisee (fast food/hamburgers)	52.2* (48.6*)	7.4	36* (36*)	0	Triton is polite, but won't sound its horn about sales, units, plans. But we assume this franchisee is following McDonald's lead and boosting same-store sales each year.
274 (261)	**McCrory Stores** York, Pa. Retail	52** (52**)	—	327 (325)	0.6	Co. wants to become a franchisee of regionally and nationally known chains. Has added a cold and hot food bar and Mexican bar to some units. Fy end 1/88.

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400: RANKINGS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
275 (275)	**Palm Management Co.** New York, N.Y. Diverse restaurants	51.2 (49.5**)	3.4	11 (11)	0	Palm Reading: Co. had a good year (sales up 3%) and is looking at Atlanta, Philadelphia and Boston for expansion. Lunch checks average $35; dinner checks, $65.
276 (283)	**Valley Food Service Corp.** Jackson, Miss. Foodservice management	51† (47.2†)	8.1	105 (97)	8.2	Co. purchased Canteen of Miss. in '87. Emphasis on customer service resulted in long-term contracts with existing clients and new accounts. Expanded into Texas and N.C.
277 (259)	**Dade County Schools** Miami, Fla. Schools	50.9†** (52†)	−2.1	288 (281)	2.5	Enhancing breakfast programs in '88 with hopes of doubling participation to 60,000 a day. Instituted a la carte programs at secondary schools in '87. Fy end 6/88.
278 (304)	**FMS Management Systems Inc.** North Miami Beach, Fla. Franchisee (full service/family dining)	50.6 (43**)	17.7	89 (86)	3.5	FMS wears two hats: franchisee and franchisor of IHOP. 41 units company-owned, 48 franchised. Will stay in Fla., continue expanding dinner food. Added appetizers.
279 (278)	**Sanese Services Inc.** Columbus, Ohio Foodservice management	50 (48.1*)	4	53^{B} (610*)	−91.3	Vending virtuoso sees a future in catering and an increase in attended cafeteria service in nursing homes, B&I, colleges and hospitals. Plans to open 25 new locations in '88.
280 (293)	**Carousel Snack Bars Inc. of Minnesota** Minneapolis, Minn. Fast food (varied)	50** (45**)	11.1	330 (315)	4.8	Purchase of 15 Orange Bowl units is in keeping with co.'s growth plan. Will open 12 new units and remodel 30 into Hot Dogs & More stores, which are primary growth vehicle.
281 (319)	**Dino's USA Inc.** Oak Park, Mich. Franchisor (fast food/pizza)	50** (40)	25	205 (200)	2.5	Implementing its own centralized distribution system to service 80% of its franchisees. Expanding west with 100 units to be contracted during next 2-3 years. Fy end 10/87.
282 (252)	**AMTRAK** Washington, D.C. Transportation	50 (47^{R})	6.4	344 (344)	0	Passenger counts way up from 21MM to 23MM. More cooking done on board. Each train boasts different cycle menu, so cross-country travelers don't run into same entrees.
283 (262)	**Peter Piper Inc.** Phoenix, Ariz. Franchisor (fast food/pizza)	50 (51.7)	−3.3	109 (103)	5.8	Expansion plans are small and careful in '88. Enjoyed success with "2 pizzas for $7.99" offer, entering the 2-for-1 arena, but has not yet jumped on the delivery bandwagon.
284 (331)	**Legal Sea Foods Inc.** Boston, Mass. Full service (dinner houses)	49.7 (38)	30.8	11 (5)	120	Brought in two master chefs from China's little-known Shandong province and will add 10 menu items from region. Upgraded Park Plaza units. Customer counts up 4%.
285 (314)	**Hamburger Hamlets Inc.** Sherman Oaks, Calif. Full service (dinner houses)	48** (38.8^{R})	23.7	24 (24)	0	Co. closed Hamburger Hamlet (Los Angeles); opened Kate Mantilini's (Beverly Hills). 1 more Hamburger Hamlet on the boards, plus remodeling of older stores. Fy end 3/88.
286 (288)	**International Onion** Carson, Calif. Full service (Mexican)	48 (45)	6.7	13 (14)	−7.1	Closed restaurant in Beverly Hills, yet sales are up due to increased customer counts and check averages. 2 new stores coming: 1 in '88, 1 in '89, both in Calif.
287 (305)	**MTC Management Inc.** Campbell, Calif. Franchisor (fast food/sandwiches)	48 (42.6)	12.7	112 (101)	10.9	Operator of Togo's Eatery plans to subfranchise for expansion outside of Calif. in '88. 18-24 new units are slated for Ore., Wash., Colo. and Texas. AUV is $430K.
288 (285)	**Amfac Resorts Inc.** Flagstaff, Ariz. Diverse foodservice/lodging	47.9* (45.7*)	4.8	30* (30*)	0	Under restructuring plan, is selling continental U.S. hotels to concentrate on non-foodservice Hawaii operations. Thriving Fred Harvey resorts should pull a good price.

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400: RANKINGS

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289 (New Member)	**Sis Corp.** Westlake, Ohio Franchisor (fast food/chicken)	47.9 (—)	—	63 (—)	—	Former subsidiary of Wendy's Intl. and operator of Sisters Chicken & Biscuits was bought out by management in 4/87. Traffic, profits down slightly for '87, but sales up so far in '88.
290 (350)	**The Boyd Group** Las Vegas, Nev. Lodging	47.7 (34.9*)	36.7	26 (14)	85.7	Remodeled Stardust has coffeehouse with jungle theme, all-you-can-eat dinner house buffet and ice cream parlor. Private men's club at Fremont opens to public at night.
291 (290)	**Maid-Rite Products Inc.** Des Moines, Iowa Franchisor (fast food/hamburgers)	47 (45)	4.4	131 (127)	3.1	Co. has developed a prototype unit that is consistent whether built in a mall setting, in a strip shopping center or as a free-standing building. Plans 15 units for '88.
292 (295)	**California Dept. of Developmental Services** Sacramento, Calif. Government institutions	47† (44.8†)	4.9	11 (11)	0	Implemented a computerized purchasing program for all facilities. 8 units now using cook-chill systems; others plan to convert in '88.
293 (296)	**Florida Dept. of General Services** Tallahassee, Fla. Health care	47†** (44.8†)	4.9	55 (50)	10	Division purchases for 15 hospitals, 35 prisons and 5 mental health facilities. New correctional facilities needed as result of rapid state growth.
294 (292)	**Schlotzsky's Inc.** Austin, Texas Franchisor (fast food/sandwiches)	46.4 (45)	3.1	214 (200)	7	A dynamic new interior design is in the works for existing and new units. It includes new uniforms, new menu boards and self-serve drink islands. Will expand in Southeast U.S.
295 (286)	**K&W Cafeterias Inc.** Winston Salem, N.C. Full service (cafeterias)	46** (45.3)	1.5	20 (19)	5.3	Average check is $3. In '87, co. added 2 units; 1 is planned for '88. Minor renovations were completed on some restaurants. Fy end 6/88.
296 (299)	**Adam's Mark Hotels** St. Louis, Mo. Lodging	46 (43.7)	5.3	28 (28**)	0	Aggressive marketing of Frequent Stay program. "High energy clubs," with live entertainment, saw some growth. More focus on cuisine of region where hotel located.
297 (New Member)	**Pointe Resorts** Phoenix, Ariz. Lodging	46 (—)	—	10 (—)	—	Newcomer to "400" operates 3 luxury resorts in Ariz. mountain preserves. Restaurants range from top-grossing Western theme ($7MM annual sales) to Northern Italian and French.
298 (256)	**Indiana Dept. of Admin.; Procurement Division** Indianapolis, Ind. Government institutions	45.8†** (53.2†**)	−13.9	37 (37)	0	Purchases for prisons, mental health facilities, work release centers, schools and nursing homes. Will initiate computerized vendor files in '88.
299 (321)	**Sirloin Stockade International** Hutchinson, Kan. Franchisor (full service/steakhouses)	45.2 (40)	13	66 (60)	10	Co. opened a 6,300-square-foot prototype building that seats 300. Includes sunroom, self-service salad/hot food/dessert bar. Testing fish and chicken. Fy end 6/88.
300 (New Member)	**Hard Rock Cafe** Los Angeles, Calif. Full service	45.2 (—)	—	6 (—)	—	Peter Morton's Hard Rock keeps rolling, opening in Honolulu and New Orleans in '87, in San Diego and Sydney, Australia, in '88. Average unit volume? $6.06MM!
301 (306)	**Trader Vic's** San Francisco, Calif. Full service (fine dining)	45.1* (42.6*)	3.9	20 (21*)	−4.8	Trader's opened 1 new unit this year (Dusseldorf, 10/87) but won't divulge upcoming plans. Indonesian lamb roast remains the signature item.
302 (260)	**Jack's Food Systems Inc.** Birmingham, Ala. Franchisor (fast food/hamburgers)	45 (52**)	−13.5	98 (97)	1	Co. became a mostly franchised organization in '87 with 8 franchise owners holding the majority of units and 12 units still company-owned. 4 units planned for '88.

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400: RANKINGS

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303 (316)	**Phillips Seafood Restaurants** Ocean City, Md. Diverse restaurants	45 (40.6)	10.8	7 (6)	16.7	Phillips family is placing great emphasis on training and suggestive selling in '88. Luncheon and bar buffet promotions proved most successful during '87.
304 (302)	**Smith and Sons Foods Inc.** Macon, Ga. Diverse foodservice/management	44.7 (43)	4	56 (55)	1.8	Co. operates S&S Cafeterias, S&S Food Administrators and Shane's Restaurants. In '87, Smith and Son's opened takeout shops in its cafeterias.
305 (329)	**Huddle House Inc.** Decatur, Ga. Franchisor (full service/family dining)	44.7 (38)	17.6	130 (129)	0.8	Sales increases of 15%-20% at 18 newly expanded/remodeled Huddle House units have prompted plans for remodeling more units in '88. 20 new stores to be built in '88.
306 (307)	**The Evangelical Lutheran Good Samaritan Society** Sioux Falls, S.D. Health care	44.5† (42.5†)	4.7	195 (200)	−2.5	Implemented extensive 4-times-a-year training program for new employees and as refresher course. Emphasized "fine dining," including plate presentation and good taste.
307 (280)	**Sands & Co. Inc.** Marietta, Ga. Foodservice management	44.4* (47.6†*)	−6.7	825* (525*)	57.1	Vending represents 65% of business; fs. contracts, including snack bars, B&I and hospital dining, are 25%. Co. operates mostly in the Southeast. Account list increasing.
308 (337)	**School District of Philadelphia** Philadelphia, Pa. Schools	44†** (37.5†)	17.3	260 (254)	2.4	School board has committed $6MM for cafeteria renovation and refurbishment. Emphasis on replacing serving counters and cooking equipment. Fy end 6/88.
309 (309)	**MCL Cafeterias** Indianapolis, Ind. Full service (cafeterias)	44 (42)**	4.8	27 (27)	0	Ownership of this company transferred from co-founder Charles O. McGaughey to his son Craig McGaughey. Plans are to remodel 11 of the units this year.
310 (New Member)	**Wendcoast Corp.** Orlando, Fla. Franchisee (fast food/hamburgers)	44* (—)	—	56 (—)	—	Like others in Wendy's chain, this franchisee's biggest move in '87 was the SuperBar. Systemwide, Wendy's domestic franchise AUV dropped 3.6% in '87.
311 (333)	**Restaurant Management Service Inc.** Macon, Ga. Diversified franchisee	43.8 (38)	15.3	43 (36)	19.4	Lucky number is 7 for franchisee of 24 Shoney's, 11 Capt. D's, 4 Lee's. Opened 7 units in '87, will open 7 in '88. Focus on Ga., Tampa and Philadelphia. Fy end 10/87.
312 (325)	**Pennsylvania Department of Corrections** Camp Hill, Pa. Government institutions	42.8† (39.7†)	7.8	14 (14)	0	Little has changed for this agency. It purchases food from itself: System has 4 farms, 1 meat-processing plant, 2 dairies, 2 beef-raising and 1 hog-raising operation.
313 (New Member)	**Lackmann Food Service** Woodbury, N.Y.	42.8† (—)	—	46 (—)	—	A newcomer to the "400," this management co. consults and runs fs. for schools, businesses and restaurants. 3 new accounts are in the works for '88. Fy end 6/88.
314 (354)	**Arctic Division of Quaker State** Salt Lake City, Utah Franchisor (fast food/hamburgers)	42 (33.7)	24.6	105 (112)	−6.3	Last year's promotions focused on C-Box children's meal. 1 unit opened in '87. Expansion plans uncertain since Quaker State announced intention to sell Arctic circle chain.
315 (308)	**Consumer Food Services Inc.** East Brunswick, N.J. Franchisee (fast food/hamburgers)	42** (42**)	0	25 (25)	0	Building 3 new Burger Kings in N.J. Has own in-house training and maintenance facilities for its operations.
316 (312)	**State of Hawaii School Foodservice** Honolulu, Hawaii Schools	42†** (41.6†)	1	226 (227)	−0.4	In '88, statewide centralized menus will be utilized. Served 86% of total enrollment in '87. Mexican and Chinese will be added to '88 menu. Fy end 6/88.

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400: RANKINGS

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317 (244)	**U.S. Coast Guard** Washington, D.C. Military	41.8†** (56.8†**)	−26.4	506 (398)	27.1	"Civilianization" is big word here . . . means turnkey contracts to Marriott-Saga, others. 1 Burger King, 1 on-base hotel being tested in New York.
318 (New Member)	**Azar's Inc.** Fort Wayne, Ind. Diversified franchisee	41.1 (—)	—	36 (—)	—	A to Z remodeling in '88 for franchisee of 23 Big Boys, 9 specialty and 4 f&b units in Marriott Hotels. Biggest sales boost: appetizers. Credit goes to new menu merchandising.
319 (300)	**Standard Oil** Cleveland, Ohio Franchisor (full service/family dining)	40.5* (43.4*)	−6.7	36 (35)	2.9	Opened new state-of-the-art truck stop including deli and restaurant in Mo. in early '88. Designed to set new standard for truck-related services on interstates.
320 (New Member)	**Beacon Hotel Corp.** Boston, Mass. Lodging	40 (—)	—	28 (—)	0	Restaurants will be expanding in '88 with display kitchens and extensive food and beverage merchandising. Promotions will include "Suite Scoop Summer Package."
321 (New Member)	**Southern Foodservice Management** Birmingham, Ala. Foodservice management	40†** (—)	—	80 (—)	—	Formerly known as Southern Cafeteria Co., this diverse food management co. has accounts in both business and industry, and hospitals. All menus are customized.
322 (198)	**State of Missouri Division of Purchasing** Jefferson City, Mo. Government institutions	39.8† (74†**)	−46.2	30 (31)	−3.2	Rewrote specifications in '87. State now uses several outside contractors where state pays per meal cost and lets contractors use state facilities.
323 (336)	**Winegardner & Hammons Inc.** Cincinnati, Ohio Diversified franchisee	39.8 (37.8)	5.3	42 (37)	13.5	Opening new Residence Inn in Rochester, N.Y., opened Radisson at Columbus (Ohio) Airport, acquired contract for Holiday Inn in Somerset, N.J., and more projects in development.
324 (New Member)	**Straw Hat Cooperative Corp.** Dublin, Calif. Fast food (pizza)	39.8* (—)	—	80 (—)	—	Co. born when 80 Straw Hat Pizza franchisees refused to go along with Saga's sale of co. a yr. ago. Consolidation year: openings and closings balanced out, customer counts same.
325 (291)	**Noble Roman's Inc.** Bloomington, Ind. Franchisor (full service/pizza)	39.3 (45)	−12.7	100 (110)	−9.1	Major campaign that began with retraining employees for better service ("If it's not OK, you don't pay") now guarantees food as well. Guarantee is unconditional.
326 (267)	**Health Care Services of New England** Braintree, Mass. Health care	39.2† (50.4†)	−22.2	350 (409)	−14.4	Continues group purchasing for about 350 health-care facilities. Offers 1%-2% average bulk discounts. Financed by markups and commissions.
327 (326)	**State of Louisiana, Office of Purchasing** Baton Rouge, La. Government institutions	39.2†** (39.2†)	—	35 (39)	−10.3	With a new governor, significant changes may be in the works for state agencies. Meanwhile, computerization of requisition bidding goes on; aim is a complete on-line system. Fy end 6/88.
328 (327)	**U.S. Marine Corps Military Clubs Branch** Washington, D.C. Military	39† (39†)	—	163 (163)	0	Mongolian barbecue was the year's big menu hit. Variety burgers, deli sandwiches also added in '87. Of 147 locations, 7 were remodeled in '87, 1 more set for '88 redo.
329 (334)	**Wrather Port Properties Corp.** Beverly Hills, Calif. Diverse foodservice/lodging	39* (38)	2.6	53 (53)	0	Disneyland Hotel, Anaheim, Calif., bought by Walt Disney Co. toward end of year. Assets still include Spruce Goose and Queen Mary attractions in Long Beach, Calif.
330 (351)	**Sonesta International Hotels Corp.** Boston, Mass. Lodging	39 (34.4*)	13.4	26[B] (150)	−82.7	Planned 240-room hotel on Western Fla. coast will have 3 restaurants, including 1 geared to families and 1 to spa cuisine. Bermuda Hotel's Gourmet Grill is new.

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331 (384)	**JRN Chicken Stores** Columbia, Tenn. Franchisee (fast food/chicken)	39 (30**)	30	76 (70)	8.6	KFC franchisee constantly building, closing and remodeling stores. Two Va. stores went over $1MM sales mark in '87. Co. is new to "400" this year.
332 (317)	**State of Washington Government Institutions** Olympia, Wash. Government institutions	38.9† (40.6†)	−4.2	34 (36)	−5.6	Improved Master Food Plan by unifying buying power. The purchase of the same products for all facilities increases volume and saves about $1MM a year. Fy end 6/88.
333 (New Member)	**Horizon Hotels Ltd.** Boston, Mass. Diversified franchisee	38.9 (—)	—	21 (—)	—	Hotel management co. merged with Cox Hotels Co. and Conference Environments Corp. in 1/88. 3 properties under development on West Coast, 1 in Fla. Opening 2 in Conn. and N.J.
334 (New Member)	**Wendy's of Fort Wayne** Rochester, N.Y. Franchisee (fast food/hamburgers)	38.6* (—)	—	62 (—)	—	Yet again, SuperBar the major innovation here. Franchisor says it helped absorb shock of 16% beef price jump in '87. Overall, Wendy's food costs rose to 32.8%, compared to 31% in '86.
335 (318)	**New York State Office of Mental Retardation** Albany, N.Y. Government institutions	38.1†** (40.3†)	−5.5	19 (20)	−5	Chilled production center being developed for NYC and Long Island areas. 6 developmental centers are to close by '91, but community programs will continue to expand. Fy end 3/88.
336 (340)	**Country Kitchens of Wisconsin** Madison, Wis. Franchisee (full service/family dining)	38 (36)	5.6	60 (60)	0	Co. owns 28, franchises 32 Country Kitchen Family Restaurants. Plans to add 3 units, expand territory to Ill. in '88. Basic menu remains unchanged. AUV is holding steady.
337 (335)	**Elmer's Restaurants Inc.** Portland, Ore. Franchisor (full service/family dining)	38 (38**)	0	31 (31)	0	Co. bought back 9 franchised units, planning to refranchise as part of "Elmer's Connection." The restaurant is owned by the franchisees but managed by Elmer's.
338 (345)	**OSF International** Portland, Ore. Full service (Italian)	37.9 (35.6)	6.5	26 (24)	8.3	Operator of Old Spaghetti Factory restaurants opened 3 company-owned stores since 11/87 in Atlanta, Oakland, Calif., and Salt Lake City. AUVs at company-owned stores hit $1.5MM.
339 (294)	**Pizza King Franchises Inc.** Lafayette, Ind. Franchisor (full service/pizza)	37.7* (45*)	−16.2	91 (91)	0	Future growth will be geared toward company-owned units; 3 are planned in '88. 90 "franchisees" are really licensees, as no royalties are collected. Fy end 8/87.
340 (344)	**Bresler's Division of Oberweis Dairy Inc.** Des Plaines, Ill. Franchisor (fast food/ice cream)	37.5 (35.8**)	4.7	300 (325)	−7.7	Co. purchased in 9/87 by Oberweis Dairy Inc. Soft-serve yogurt and "Royale Cremes" aimed at adult market. Convenient Food Marts will now offer Bresler's ice creams and yogurts.
341 (341)	**Dietary Consultants Inc.** Hornell, N.Y. Foodservice management	37.4†* (36†)	3.9	66* (65)	1.5	Late last year, the co. was purchased by Seiler Corp., which wished to expand its client list by purchasing small contract companies.
342 (380)	**Valentino's** Lincoln, Neb. Franchisor (full service/pizza)	37 (30)	23.3	36 (39)	−7.7	The buffet stays open 7 days a week by popular demand. '87 was a very good year for co. AUVs at $1.6MM. Will spend $4MM for capital expansion on 5 stores in '88. Fy end 3/88.
343 (New Member)	**Ruth's Chris Steak House Inc.** New Orleans, La. Franchisor (full service/steakhouses)	37 (—)	—	19 (—)	—	New member of the "400" opened 4 units in '87 and plans at least 5 more in '88, from Hawaii to Philadelphia. Avg. check is $32; AUV is $2MM. Began national advertising in '87.
344 (323)	**Rowntree Ltd.** Cleveland, Ohio Franchisor (fast food/snacks)	36.7* (40**)	−8.3	276 (301)	−8.3	Operator of Hot Sam's Pretzels and Corn Dog on a Stick dropped Mackintosh from its name, closed some units that weren't producing, opened 15 and plans to open 38 in '88.

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345 (343)	**Brunswick Corp.** Skokie, Ill. Diverse restaurants	36.6 (35.8)	2.2	130 (147)	-11.6	Co. is getting employees involved through incentive programs based on percentage of sales increases. Promotional plans for '88 include Olympic Mug refill program.
346 (349)	**Taco Tico Inc.** Wichita, Kan. Franchisor (fast food/Mexican)	36 (35)	2.9	113 (108)	4.6	Of 72 company-owned units, 48 are drive-thru, representing more than 40% of sales. Growth is directed toward more rural areas vs. metro locations favored by competitors.
347 (365)	**Olga's Kitchen Inc.** Troy, Mich. Franchisor (full service/family dining)	36 (32)	12.5	38 (38)	0	Healthy sales growth for co.'s second year in "400." Ethnic menu has Chicken Oriental Olga, hottest seller in '87; Fajita Olga is tops in '88. 13 units to come. Fy end 10/87.
348 (New Member)	**Pietro's Corp.** Linnwood, Wash. Full service (pizza)	36** (—)	—	65 (—)	—	Pietro's was purchased in 3/88 from Campbell's by a group that will build 2 stores in '88 and 4 stores each year after. Franchising being considered.
349 (390)	**Perk Development Corp.** Rochester, N.Y. Franchisee (full service/family dining)	35.2 (28.4)	23.9	29 (28)	3.6	Perkins franchisee expanded into Eastern N.Y. with 3 new stores. Is working on an aggressive remodeling program to be implemented in '88-'89. Added dessert menu.
350 (304)	**Southern Hospitality Corp.** Nashville, Tenn. Diversified franchisee	35.1 (43**)	−18.4	49 (62)	-21	Franchisee of Wendy's and Big O's Pizza Delivery reduced debt by $10MM: sold 26 Wendy's to Southern Foods Inc. Southern Hosp. manages those Wendy's under contract.
351 (328)	**Bobby Rubino's USA Inc.** Fort Lauderdale, Fla. Franchisor (full service/ribs)	35 (39**)	−10.3	19 (25)	-24	Co. shelved delivery plans because it felt food quality suffered and insurance costs were too high. Tightened control over franchised units. Closed 6 restaurants.
352 (358)	**U.S. Beef Corp.** Tulsa, Okla. Franchisee (fast food/sandwiches)	35 (33)	6.1	73 (71)	2.8	Arby's franchisee pleased with stable sales in recession-prone state. Plans 1 unit in new Oklahoma City mall. Others destined for Ark. locations. Remodeling program under way.
353 (356)	**State of Kansas Div. of Purchasing** Topeka, Kan. Government institutions	35†** (33.6†)	4.2	26 (25)	4	Purchasing agency for 26 facilities, including colleges, prisons and hospitals, is turning to computers in '88 to track purchasing. Menus are on a 2-year cycle. Fy end 6/88.
354 (367)	**Casa Olé Restaurants & Cantinas** Houston, Texas Franchisor (full service/Mexican)	35 (31.5)	11.1	34 (33)	3	Full-service Mexican restaurants are holding their own in dour economy. Sales up thanks to first full calendar year operation for newer units. La. may be potential new market.
355 (353)	**Shari's Management Corp.** Portland, Ore. Full service (family dining)	35** (34**)	2.9	37 (36)	2.8	Since acquired by StratAmerica Inc. 3 years ago, co. has been regrouping. Now ready to expand with 4-8 new units incorporating new kitchen design in '88. Fy end 3/88.
356 (New Member)	**Skyline Chili Inc.** Cincinnati, Ohio Franchisor (full service/family dining)	35** (—)	—	70 (—)	14.8	Old-timer in Cincinnati, a newcomer to "400." Co. was founded in '49. Will venture into Wash., Va. and Md. and fill in Midwest markets in '88. 15 new units planned.
357 (348)	**The Original Seafood Shanty Inc.** Bensalem, Pa. Full service (dinner houses)	35 (35)	—	14 (14)	0	Co. continues to emphasize menu creativity. Adding mussels to menu, but no plans for significant change in '88. Expected to be a level sales year. Fy end 9/87.
358 (New Member)	**T.J. Cinnamons Bakeries** Kansas City, Mo. Franchisor (fast food/sweets)	35 (—)	—	201 (—)	—	Originator of cinnamon roll fad added cinnamon bread, coffee cake to menu, expanded with 125 new units in '87. Plans 100 more stores in '88.

*R&I estimate. **company est. †commercial equivalent. (A) former data included non-foodservice sales. (B) adjusted method in reporting figures. (C) franchisees' sales est. (R) revised

400: RANKINGS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
359 (New Member)	**Treadway Inns** Saddle Brook, N.J. Lodging	36 (—)	—	40 (—)	—	Checker's Cafe, a restaurant/nightclub concept located in 2 hotels, had sales as high as $600 per square foot. Offering new reservations systems to outside hotels.
360 (359)	**Heidman Inc.** Akron, Ohio Franchisee (fast food/hamburgers)	34.8* (32.9*)	5.8	24 (24)	0	Co. is a privately held McDonald's franchisee and divulges no sales figures. However, it was a profitable year for the Golden Arches, and we assume this franchisee also did well.
361 (366)	**AIFAM Enterprises Inc.** Wichita, Kan. Franchisee (fast food/pizza)	34.7* (31.7**)	9.5	85 (78)	9	Godfather's Pizza franchisee gets bigger slice of pie in '87. Units up by 8 (compared to '85-'86, down by 7). AIFAM's turf is Kan., La., Okla., Texas. Fy end 2/88.
362 (392)	**Hillsborough County School Board** Tampa, Fla. Schools	34.7†** (28.1†)	23.5	143 (138)	3.6	Re-evaluated food preparation techniques. Will use convection oven and steam only for meal preparation. Plans to remodel 3 units in '88. Fy end 6/88.
363 (361)	**Atlas Hotels Inc.** San Diego, Calif. Lodging	34.2* (32)	6.9	22 (22)	0	$350MM expansion of Town & Country Hotel completed; health spa serves it and 3 other hotels in San Diego area. Pushing banquet business for conventions trade.
364 (371)	**Spencecliff Corp.** Honolulu, Hawaii Diverse foodservice/lodging	34** (31)	9.7	24 (26)	−7.7	Intense competition in Hawaii market for this diverse foodservice/lodging operation. Coffee shops and restaurants underwent complete face lifts or extensive remodeling. Fy end 6/88.
365 (357)	**Spire's Restaurants** Orange, Calif. Full service (dinner houses)	34 (33.2)	2.4	26 (27)	−3.7	Co. sold low performing units, trimmed some fat on the corporate level and concentrated on strengthening customer service in existing units. Fy end 8/87.
366 (352)	**LaRosa's Inc.** Cincinnati, Ohio Franchisor (full service/pizza)	34 (34)	—	45 (47)	−4.3	The Cincinnati-based pizza chain reduced menu offerings to better concentrate on what it does best—namely, pizza. Some units will be remodeled and 3-4 opened in '88.
367 (362)	**Coulter Enterprises** Wichita, Kan. Franchisee (full service/pizza)	34 (32)	6.3	68 (67)	1.5	Pizza Hut franchisee expands delivery—fast. To open 20 delivery units in '88. Stores in Del., Ore., N.C., Tenn., Texas, Utah, Nev. Colo., Ill.—but none in Kan.
368 (New Member)	**North Carolina State Dept. of Corrections** Raleigh, N.C. Government institutions	33.9†** (—)	—	87 (—)	—	Dept. remodeled 18 serving locations in '87 and will redo 11 more in '88. Dept. employs 3,000 workers and receives $1.8MM in government commodities. Fy end 6/88.
369 (315)	**Dallas Independent School District** Dallas, Texas Schools	33.6†** (40.6†)	−17.2	184 (183)	0.5	Will computerize department to lend fiscal accountability from point-of-purchase to the administrative level. Opened 9 new schools in '87. Fy end 6/88.
370 (New Member)	**Health Care & Retirement Corp.** Toledo, Ohio Health care	33.6†** (—)	—	127 (—)	—	New member of the "400" operates 125 nursing homes and 2 retirement centers. Plans to open 13 new locations in Texas, Fla. and Ill. in '88. Switched to central purchasing in '87.
371 (364)	**Clock Restaurants Inc.** Lighthouse Point, Fla. Franchisor (full service/cafeterias)	33 (32*)	3.1	43 (40)	7.5	Focus at Clock Restaurants continues to be service. Co. added a chicken entree in '87 and went into test with pasta salad. Plans to open 2-3 new units in '88.
372 (383)	**Hospitality International Inc.** Atlanta, Ga. Lodging	33* (30**)	10	250* (218)	14.7	"Opened door" to franchise in India. Plans to open 75-100 hotels in next year, 250 more in next 5 years. Currently represents 275 individually owned hotels.

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400: RANKINGS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
373 (330)	**Jerry's Systems Inc.** Gaithersburg, Md. Franchisor (diverse restaurants)	33** (38)	−13.2	62 (61)	1.6	Future looks bright: Co. predicts 75-80 Jerry's Subs & Pizzas and 18-20 Jack's for sales of $50MM by end of fiscal year. Drive-thru in test at Jerry's. Fy end 3/88.
374 (New Member)	**Classic Prime Ltd.** Knoxville, Tenn. Franchisee (fast food/hamburgers)	33 (—)	—	52 (—)	—	Ownership of this Wendy's franchisee changed hands in 1/87. Opened 2 units in '87, plans 6 for '88. Added SuperBar in '87. Magic ticket promotion was a big hit last year.
375 (360)	**Happy Chef Systems Inc.** Mankato, Minn. Franchisor (full service/family dining)	32.5 (32.5)	—	52 (51)	2	Co. opened another training center in '87. This year chain will open 1-3 new units and celebrate 25th anniversary. Keeping test items under wraps. Fy end 5/88.
376 (376)	**U.S. Naval Medical Command** Washington, D.C. Health care	32.5† (30.6†)	6.2	31 (27)	14.8	New management system, implemented in 12 of 31 sites, means fewer civilians, more enlisted personnel (50%). Other new ideas: a la carte patient feeding; automated menu info.
377 (New Member)	**E&A Restaurants of South Florida Inc.** Pompano Beach, Fla. Franchisee (fast food/hamburgers)	32.2* (—)	—	41 (—)	—	This Wendy's franchisee is new to the "400." Co. follows franchisor's lead in advertising, adding to traditional 25-item menu, rolling out SuperBar.
378 (New Member)	**Wenar Corp.** Charlotte, N.C. Franchisee (fast food/hamburgers)	32.2* (—)	—	41 (—)	—	SuperBar rollout and more extensive crew training drove down operating margins throughout Wendy's system. Labor costs in '87 were 24.6% of domestic sales vs. 23.6% in '86.
379 (234)	**Arthur Treacher's Inc.** Youngstown, Ohio Franchisor (fast food/seafood)	32 (60**)	−46.7	106 (215**)	−50.7	Plans for '88 call for expansion into shopping centers. Will add 12 new units in '88 with geographic concentration in the Northeast United States. Fy end 6/88.
380 (373)	**Corporate Food Services Inc.** New York, N.Y. Foodservice management	32 (30.8†)	3.9	44 (58)	−24.1	Expanded operations from base in Northeast by opening account in Cleveland. All clients are in business and industry market; Black Monday hurt sales at contract sites on Wall Street.
381 (378)	**Sandwich Chef Inc.** Birmingham, Ala. Fast food (sandwiches)	32 (30)	6.7	179 (184)	−2.7	Co. hears call of the mall, plans move into food courts. 8 R.C. Coopers, 3 Wallstreet Delis, 2 Yogurt & Salads, and 3 Sandwich Chefs to be added in '88. Fy end 6/88.
382 (322)	**Valls Enterprises** Miami, Fla. Diverse restaurants	32 (40)	−20	14 (17)	−17.6	Tapped into tapas with 3 Las Tapas restaurants in '87. Plans another in Underground Atlanta in '88. Co. majors in Spanish cuisine. Customer counts up 10%.
383 (New Member)	**Stuckey's Corp.** Marietta, Ga. Franchisor (full service/family dining)	32 (—)	—	120 (—)	—	Familiar highway stops changing strategy to fit changing demographics, becoming more like c-stores. Opened 7 outlets in '87, hoping for 15 openings in '88. Looking into RR stations.
384 (397)	**CVI Service Group Inc.** Plainfield, N.J. Foodservice management	31.2† (27)	15.6	52* (78)	−33.3	Opened new markets in '87 in Philadelphia, Western Pa., South Jersey and Del. Opening new office in Atlanta in '88. Full-line vending constitutes 18% of business.
385 (New Member)	**Sunquest Systems** Indianapolis, Ind. Franchisee (full service/family dining)	31 (—)	—	58 (—)	—	Waffle House franchisee saw AUVs jump to $600K, avg. checks of $3.60 per person. Restructuring prices on combination dinners. Just introduced all-you-can-eat shrimp deal.
386 (375)	**Maryland Dept. of General Services** Baltimore, Md. Government institutions	30.8†** (30.8†**)	0	32 (33)	−3	Opened up new correctional facility and dropped 1 school. Now in throes of working out computerized purchasing system, to be fully operational by fall.

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400: RANKINGS

Rank '88 ('87)	Organization Headquarters Segment	'87 sales ('86 sales) in $ millions	% change sales	'87 units ('86 units)	% change units	Comments
387 (320)	**Michigan State University** East Lansing, Mich. Colleges	30.8†** (40†)	−23	43 (43)	0	Increased automation in ordering, inventories and accounting. Opened 2 new serving locations and remodeled 3. Serves 17,500 residence hall students.
388 (374)	**Texas Dept of Corrections, Food Service Dept.** Huntsville, Texas Government institutions	30.8† (30.8†)	0	38 (27)	40.7	Dept. will add 20 new facilities during the next 4 years, increasing the number of meals served from 56MM to 92MM. Metal is out, plastic is in for all tableware.
389 (385)	**The Management Group Inc.** Chicago, Ill. Diversified franchisee	30.5** (30**)	1.7	20 (20)	0	Operator of name-brand hotels (Sheraton, Ramada) opened an Embassy Suites in Southfield, Mich., in '87 and will acquire 2 new units in '88.
390 (388)	**Allen & O'Hara Inc.** Memphis, Tenn. Diversified franchisee	30.4* (29.2)	4.1	24 (24)	0	Room at the Inns—Hampton and Residence—for growth, says contract co. Moving into retirement housing fs. mgt. To add 1 college dorm in N.C. and expand to N.J. in '88.
391 (New Member)	**Knott's Berry Farm** Buena Park, Calif. Recreation	30.1* (—)	—	55 (—)	—	Back in "400" after several years' absence, the amusement park opened in 1920 continues to grow. New area to open in '88 includes a water ride and Wilderness Broiler restaurant.
392 (368)	**The C&C Organization** Rancho Cucamonga, Calif. Full service (dinner houses)	30 (31.3)	−4.2	24 (26)	−7.7	'88 will be a year of consolidation for this operator of Cask & Cleaver, Lord Charley's and El Gato Gordo concepts. 1 unit to open in '88; menus being upgraded.
393 (347)	**Cox Hotel Corp.** West End, N.J. Lodging	30 (35)	−14.3	23 (22)	4.5	Cox (a hotel mgmt. co.) merged with Horizon Hotels Ltd. in 1/88. Conference Environments Corp. was also part of merger. The new co. will go under Horizon name.
394 (379)	**State of Tennessee General Services** Nashville, Tenn. Government institutions	30† (30†)	0	42 (42)	—	This arm of government does central purchasing for all state agencies and institutions, including correctional, mental health, park and school facilities. Fy end 6/88.
395 (346)	**Brigham's Inc.** Arlington, Mass. Franchisor (full service/ice cream)	30 (35)	−14.3	72 (82)	−12.2	Co. launched a franchise expansion drive using a new equity format. 8 units are expected in '88 in N.Y. and N.J. AUV is $417K. Introduced light ice creams (63% less fat).
396 (New Member)	**Fat Boy's Bar-B-Q Franchise System Inc.** Cocoa, Fla. Franchisor (full service/barbecue)	30 (—)	—	36 (—)	—	Fat Boy's departed from its basic design (167 seats plus 800-sq.-ft. banquet room) to build a 64-seat unit with drive-thru in South Columbus, Ohio. Plans to add more in '88.
397 (383)	**Big 4 Restaurants Inc.** Phoenix, Ariz. Diverse restaurants	30** (30**)	—	11 (14)	−21.4	Big 4 closed 2 units in '87 but opened Steamer's Genuine Seafood in Phoenix. '88 will bring Tom's Tavern (Phoenix) plus new deli outlets in office buildings and malls.
398 (384)	**Vie de France Restaurant Corp.** McLean, Va. Diverse restaurants	30 (30)	—	57 (55)	3.8	Number of units, located mostly in malls, is growing steadily with 12 company-owned and 12 franchised to come in '88. Introducing 2 new menu items in '88. Fy end 6/88.
399 (New Member)	**Hardin Group** Thousand Oaks, Calif. Franchisor (fast food/yogurt)	30 (—)	—	142 (—)	—	Purveyor's of Penguin's Frozen Yogurt experienced a 106% sales increase from $14MM to $30MM in 1 year, proving the yogurt market is healthy in more ways than one.
400 (New Member)	**Happy Joe's Pizza & Ice Cream Parlor Inc.** Bettendorf, Iowa Franchisor (full service/family dining)	30** (—)	—	85 (—)	—	Testing deli concept and expanding sandwich line. Enjoyed 8% increase in customer counts. Planning 5 stores in keeping with plan to saturate Midwest market. Fy end 9/88.

*R&I estimate. **company est. †commercial equivalent; (A) former data included non-foodservice sales; (B) adjusted method in reporting figures; (C) franchisees' sales est.; (R) revised.

400: CHAINS 50

FAMILY TREES BRANCHING OUT

The tale of the sales tape reveals a year of surprising success for a few but slow, careful growth for many.

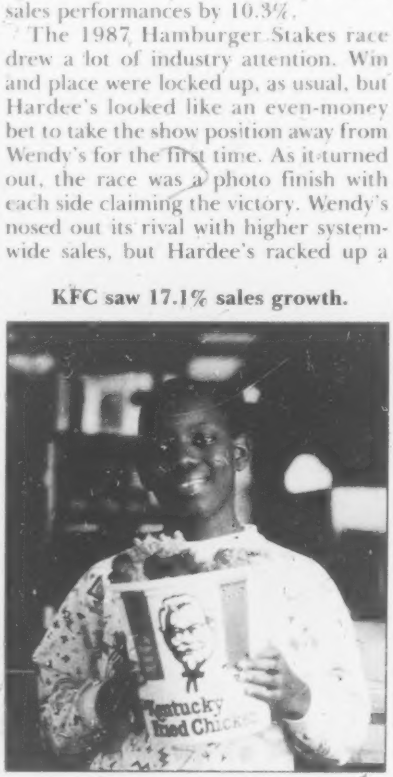
This year's ranking of the *R&I* Chains 50 reflects the kind of foodservice year 1987 was: quiet, with steady growth in most quarters and troubling slippage in a few, but no major surprises.

Overall, the companies on the list saw only a marginal increase in combined sales over the previous year. Taken together, the 50 had aggregate sales of $57.01 billion in 1987, compared to $55.72 billion in 1986. That constitutes an increase of only $1.29 million, or 2.3%, less than last year's 4.1% inflation rate for food away from home.

Two-thirds of that combined sales total belonged to the top 10 chains—the same 10 who headed last year's list in a slightly different order of rank. Their share of the list's sales jumped 12.5% to $38.35 billion. Ann Arbor, Mich.-based Domino's Pizza was far and away the growth leader in this group with a phenomenal 32% sales leap in 1987. But with the exception of Burger King, all the other top-echelon chains experienced sales increases, too, some of them large. McDonald's took in 15.6% more last year than in 1986, and Denny's and International Dairy Queen each surpassed their previous sales performances by 10.3%.

The 1987 Hamburger Stakes race drew a lot of industry attention. Win and place were locked up, as usual, but Hardee's looked like an even-money bet to take the show position away from Wendy's for the first time. As it turned out, the race was a photo finish with each side claiming the victory. Wendy's nosed out its rival with higher systemwide sales, but Hardee's racked up a higher average unit volume ($877,000 vs. Wendy's $741,000).

KFC saw 17.1% sales growth.



And though they trailed behind the other outlets in the hamburger segment of the Chains 50, White Castle and Whataburger were still strong finishers. The 67-year-old White Castle managed to increase sales by 5.3% in 1987. Even better, intense customer loyalty to the 236-unit chain drove average unit volumes up to $1.3 million, second only to McDonald's $1.5 million AUV. Relative newcomer Whataburger managed a 17.8% jump in sales with only 27 more units than last year—a creditable showing for a chain based in the hard-hit Texas area.

Other race results: Little Caesar's Pizza rocketed 39.4% in sales and five ranks on the chart, but even that was not enough to narrow the gap with Domino's. In 1986, the No. 2 pizza maker sold $980 million more than Little Caesar; last year, that distance widened to $1.25 billion. Domino's also gained slightly on pacesetter Pizza Hut, cutting its sales lead from $1 billion in 1986 to $938.4 million last year. Elsewhere in pizza, a 5% sales hike helped Round Table Pizza edge past Godfather's to become the fifth highest-grossing pizza chain in the country.

Jockeying for position was the name

of the game in chains last year: Thirty-two of this year's companies changed positions in the ranking. Sizzler rose five ranks in the chart on the strength of a 24.7% sales increase and took the lead in steakhouse chains. Meanwhile the embattled Ponderosa dropped five ranks, partly because of a 2.9% drop in sales, and Golden Corral posted a healthy 19.5% sales jump.

Looking at menus, it seems that burgers still have a hold on the Chains 50: Hamburger chains account for 44.8% of the list's combined sales. Pizza chains come next with 11.3% of the total, followed by fast-food chicken (8.9%) and full-service family dining (5.4%). Ice cream chains were responsible for $2.77 billion in sales, or 4.9% of the combined sales figure—a surprising feat in light of the fact that there are only three ice cream chains on the list.

As always, the 1988 Chains 50 has its share of arrivals and departures. Luby's Cafeterias and Waffle House have reappeared on the list after a year's hiatus. Subway, the sandwich chain owned by Doctors Associates, earns a first-time mention for having almost doubled both sales and units in 1987. Departing the list are Stuart Anderson's, Ground Round and Furr's Cafeterias.

Drawing valid conclusions from the combined unit counts of the Chains 50 is difficult because its makeup changes slightly every year. But 43 of the companies named this year have been on the list continuously since 1984. A check of the unit growth of those 43 shows a moderate 5.9% increase from 1984 to 1985, followed by a large 9.6% jump from 1985 to 1986. But that expansion fever cooled down to only 3.3% last year.

Where do these chains fit into the overall foodservice universe? Right at its center. The entire *R&I* "400" roster did $113.14 billion in food and beverage sales last year—more than half the 1987 total for the U.S. industry. And the 50 chains on this list accounted for more than half of *that* figure, or about one-quarter of all the foodservice sales last year. That may be the biggest surprise buried in this list: that the chain segment, which saw so many tumultuous divestitures, acquisitions, repositionings and conversions in 1987, could still turn in such a healthy sales performance. ***—Brian Quinton***

continued on page 144

CHAINS 50

This year's Chains 50 list had aggregate systemwide sales of $57.02 billion in 1987. That figure represents only a marginal increase of 2.3% over the combined sales totals for last year's list, $55.72 billion. The companies on the list operate a total of 76,912 units, contrasted to 72,536 units for last year's group—a 6% rise in the number of stores.

Rank	Chain	'87 sales	'86 sales	Units 1/1/88
1.	**McDonald's**	$14,330.4MM	$12,400MM	9,159
2.	**Burger King** (Pillsbury)	5,000	5,000**	5,179
3.	**Kentucky Fried Chicken** (PepsiCo)	4,100	3,500	7,522
4.	**Pizza Hut** (PepsiCo)	2,918.4*	2,503.4*	5,394
5.	**Wendy's**	2,870*	2,747	3,816
6.	**Hardee's** (Imasco USA)	2,481.9*	2,255*	2,959
7.	**Domino's**	1,980	1,500	4,279
8.	**Dairy Queen**	1,900	1,723	5,005
9.	**Taco Bell** (PepsiCo)	1,521.6*	[illegible]320*	2,696
10.	**Denny's**	1,251	1,134.2	1,221
11.	**Big Boy** (Marriott)	1,096.8*	1,002.1*	914
12.	**Arby's**	980	892.8	1,881
13.	**Red Lobster** (General Mills)	977	897.6*	464
14.	**Sizzler** (Collins)	754.3**	605.1	574
15.	**Long John Silver's** (Jerrico)	746.9	720.4	1,451
16.	**Dunkin' Donuts**	726	648	1,669
17.	**Little Caesar**	725	520	1,820
18.	**Shoney's**	718.6	644.5	614
19.	**Ponderosa**	704	725	789
20.	**Jack In The Box** (Foodmaker)	655.1	639.5*	897
21.	**Baskin-Robbins**	[illegible]24.7*	572.1	3,372
22.	**Friendly**	572.4	519.8*	840
23.	**Roy Rogers** (Marriott)	556*	450.1*	556
24.	**Church's Fried Chicken**	533.9	577.7	1,422
25.	**Bonanza** (USACafes)	529.5	480	605
26.	**Western Sizzlin'**	466.2	454	585
27.	**Popeyes** (A. Copeland Ent.)	463.7	400	819
28.	**Bennigan's** (Pillsbury)	449	446.2*	212
29.	**Golden Corral** (Investors Mgmt.)	397	332.3	519
30.	**TGI Friday's** (Carlson Cos.)	364	348.5	128
31.	**Rax**	358.3	328.9	529
32.	**Perkins**	343.7	279.5*	334
33.	**Carl's Jr.**	343.6	344.9**	444
34.	**Captain D's** (Shoney's Inc.)	342.6	315.9	578
35.	**Sonic Drive-In**	315	291	953
36.	**Morrison's Cafeterias**	310	291	162
37.	**Pizza Inn** (Pantera's)	300	265.2*	786
38.	**Intl. House of Pancakes**	297.5	264.1	454
39.	**White Castle**	282.6	268.5	236
40.	**Subway** (Doctors Assoc.)	272**	140	1,815
41.	**Chi-Chi's** (Foodmaker)	270	315	201
42.	**Whataburger**	265**	225	392
43.	**Round Table Pizza**	262.5	250	335
44.	**Godfather's** (Pillsbury)	261	260	186
45.	**Steak & Ale** (Pillsbury)	256	279.4*	171
46.	**Carvel**	243.8*	291.5*	750**
47.	**Luby's Cafeterias**	232.9	215.1	103
48.	**Waffle House**	230.6*	219.5*	610*
49.	**Bob Evans Farms**	220	220	196
50.	**Piccadilly Cafeterias**	217.5	225**	116

*R&I estimate **company estimate

400: CHAINS 50

To penetrate new markets and acquire new real estate, parent corporations bought brand-name subsidiaries.

To judge from the actions of many multiconcept companies, diversity was a mixed blessing in 1987. True, some were in the mood to buy, as long as the concept did not harm current holdings. Imasco's Grisanti subsidiary bought Casa Lupita, broadening the parent's customer base considerably.

But others took a back-to-basics approach and began to divest. Pillsbury sold Bay St[illegible]et and Key West Grill to company management. Marriott shed franchise rights to Big Boy. And many of those who *did* buy were looking for market share or real estate rather than concepts. IDQ's purchase of Karmelkorn and Orange Julius brought 1,000 shopping mall leases.

What follows is a "Who's Whose" genealogy of multiconcept chain parentage at the end of 1987, in the order of their "400" ranks. Sales figures are in millions; one- and two-unit concepts are not broken out. Hotel chains will be ranked later in *R&I*'s November "Lodging 100."

PepsiCo Foodservice Division
Kentucky Fried Chicken, $4,100, 7,522;
Pizza Hut, $2,918.4*, 5,394;
Taco Bell, $1,521.6*, 2,738

The Pillsbury Co. Restaurant Group
Burger King, $5,000, 7,339;
Bennigan's, $449, 212;
Godfather's, $261, 186;
Steak & Ale, $256, 171;
Häagen-Dazs, $66, 300;
Quik Wok, $6*, 13

Marriott Corp.
Big Boy, $1,096.8*, 914;
Roy Rogers, $212*, 556;
Travel Plazas, $82.2*, 106
Hot Shoppes, $8*, 16
Also owns contract foodservice division and lodging, including Marriott Hotels and Resorts, Marriott Suites, Residence Inns, Courtyards and Fairfield Inns. Howard Johnson franchisee.

Imasco USA
Hardee's, $2,431.2*, 2,959;
Grisanti's, $10.5*, 10

International Dairy Queen
Dairy Queen, $1,900, 5,005;
Orange Julius, $71.1*, 744;
Golden Skillet, $39.6*, 99;
Karmelkorn Shoppes, $21.3*, 222

TW Services Inc.
Quincy's Family Steak Houses, $221.5,215
Recently acquired Denny's Inc. Also operates contract foodservice and holds Hardee's franchise.

Restaurant Enterprises Group
El Torito, $402, 187 (Also includes other specialty Mexican concepts.)
Coco's, $150*, 150*;
Houlihan's, $148, 54;
Carrow's, $75*, 85*;
Darryl's, $54*, 27;
Jojo's, $40*, 40;
Reuben's, n/a;
Charley Brown's, n/a
Also operate some one- and two-unit concepts.

Denny's Inc.
Denny's, $1,251.3, 1,221;
Winchell's, $158.5, 764;
El Pollo Loco, $75.5, 87
Co. recently acquired by TW Services.

General Mills Restaurant Group
Red Lobster, $1,000**, 410**;
Olive Garden, $200*, 90;
York's Steakhouse, $125, 100

Shoney's Inc.
Shoney's, $718.6, 614;
Captain D's, $342.6, 578;
Lee's Chicken, $136.6, 277
Also operates Shoney's Inns and miscellaneous dinner houses.

Collins Foods Intl. Inc.
Sizzler, 754.3**, 574;.
Naugles $115.3**, 165;
Taco Dan, $4.2**, 5
Also franchises/joint venture Ed Debevic's, Gino's East, Kentucky Fried Chicken.

Morrison Inc.
Morrison's Cafeterias, $310, 162;
Ruby Tuesday's, $96, 64;
L&N Seafood Grills, $29, 15;
Silver Spoon Cafe, $6, 4
Also operates contract management division.

Jerrico Inc.
Long John Silver, $746.9, 1,451;
Jerry's Restaurants, $40.4, 57;
Florenz Italian Restaurants, $4.5, 4

Carlson Cos.
TGI Friday's, $364, 128;
Country Kitchen, $169.2, 252;
Dalts, $29, 15
Also owns Radisson Hotels and Colony Resorts and Hotels.

USACafes
Bonanza, $529.5, 605;
Ribby's, $1*, 2

American Restaurant Group
Grandy's, $185, 205;
Stuart Anderson, $170*, 85;
Velvet Turtle, $53*, 21;
Spoon's Grill & Bar, $11*, 11;
Also owns Spectrum Restaurants and a variety of specialty units.

A. Copeland Enterprises Inc.
Popeyes Chicken & Biscuits, $463.7, 703;
Copeland's, $18.9, 7

Investors Management Corp.
Golden Corral, $397, 519;
Oh! Brian's, $10*, 10
Also operates other specialty restaurants, Church's Fried Chicken franchises and 1 Day's Inn.

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*R&I estimate **company estimate

continued on page 148

400: CHAINS 50

Many gave up diversity for divestiture, concentrating capital where the paybacks were biggest.

continued from page 144

VICORP Restaurants Inc.
Bakers Square, $155.8, 138;
Village Inn, $119.7, 141

Pantera's Corp.
Pizza Inn, $350*, 672;
Pantera's, $75*, 115

Furr's/Bishop's Cafeterias L.P.
Furr's Cafeterias, $202.4*, 126;
Bishop Buffets, $53.8*, 26

Nestle Enterprises
Rusty Scupper, $33.3*, 19;
J.B. Winberie's, $19.2*, 24
Also owns specialty dinner houses and hotels.

Horn & Hardart Co.
Bojangles', $55.6, 71
Also franchisee of Burger King, Arby's, Tony Roma's.

Restaurant Associates Industries
Acapulco Restaurants, $65.9, 41
Charlie Brown's, $49.7, 35
Also owns and operates diverse single-concept restaurants.

Shoney's South Inc.
Hungry Fisherman, $11, 9;
Danver's, $4.3, 8
Shoney's and Captain D's franchisee.

Mrs. Fields Cookies
Mrs. Fields Cookies, $203.2*, 565;
La Petite Boulangerie, $37.1*, 135

Brock Hotel Corp.
ShowBiz Pizza Time Theatre, $177, 275
Acquired Monterey chain 8/1/87; owns 38-hotel lodging division.

The Ground Round Inc.
Ground Round, $181.5, 179
Also owns 12 Orange Roof hotels, will convert 20 Stuart Anderson's bought in '88.

Western Steer-Mom'n'Pop's Inc.
Western Steer Family Steakhouses, n/a;
Mom 'n' Pop's Steak & Seafood, n/a

Specialty Restaurant Corp.
94th Aero Squadron, $24.2*, 11;
The Castaway, $27*, 9;
Baby Doe's, $18*, 6;
Matchless Mine, $18*, 6
Also one- and two-unit concepts.

Irving, Texas-based Shakey's Pizza closed stores but still pushed average unit volumes up 7% in 1987.

Paragon Restaurant Group
Bought 41-unit Rusty Pelican chain in 11/87; also owns numerous single-unit concepts.

DeNovo Corp.
Tastee Freez, $104, 421;
Dog 'n' Suds, $46, 30 (includes 41 Dairy Isle stores)

W.R. Grace Restaurant Group
Taco Villa, $84.2, 120;
Applebee's, $59.8, 51

Unigate Restaurants Inc.
Taco Bueno, $59.7**, 121;
Prufrock, $56**, 44;
Casa Bonita, $13.8, 4;
Crystals, $10**, 7

Galardi Group
Wienerschnitzel, $100*, 276;
Original Hamburger Stand, $23*, 56
Also owns several Chelsea's Choice and Weldon's units.

Trans/Pacific Restaurants Inc.
Jolly Roger, $71*, 44*;
Monterey Bay Canners, $20, 11
In Hawaii, owns several one-unit concepts; also a Sizzler franchisee.

Consolidated Products Inc.
Steak n Shake, $76.7, 106;
Consolidated Specialty Restaurants, $22.6, 16

Restaurants Unlimited Inc.
Dinner house division, $45*, 13.
Cinnabon, $35*, 65

Famous Restaurants Inc.
Garcia's Mexican Restaurants, $58, 33;
Famous Pacific Fish, $10, 5

Associated Hosts Inc.
Bombay Bicycle Club, $56.8*, 43*
Also Sizzler franchisee; owns Smugglers Inns, Julie's Place.

Lifestyle Restaurants Inc.
Beefsteak Charlie, $57, 49
Acquired by Bombay Palace Restaurants in September '87. R&I

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*R&I estimate **company estimate

BREAKING AWAY

Growth companies Restaurants Unlimited, Subway and TCBY moving quickly to challenge the leaders.

For some foodservice organizations, 1987 was a great year. More than 30 of the "400" companies registered sales increases of 25% or better, and two companies, McDonald's and PepsiCo, saw annual sales jump more than a billion dollars each.

Some grew via acquisitions. Others pumped up revenues by boosting customer counts and same-store sales through savvy marketing and promotional campaigns. Others added new units (and thus sales) at a breakneck speed, despite claims by many industry experts that the foodservice market is saturated.

Although the top 25 organizations in the "400" far outpaced the remaining 375 in terms of absolute dollar increases, growth was not limited to the big chains. Of the five companies showing the greatest sales percentage increases, none rank in the top 50 of the "400" and only two are in the top 100. The sales percentage growth leader, Restaurants Unlimited of Seattle, jumped from No. 313 in the 1987 "400" to No. 193 this year, a 95.1% increase in sales, thanks primarily to the phenomenal success of the company's cinnamon roll concept, Cinnabon.

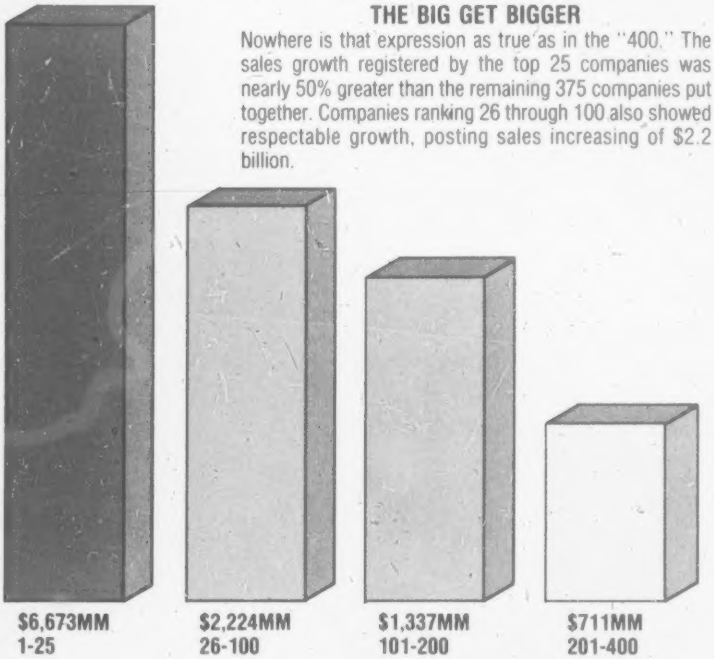
Several companies were repeat growth leaders from previous years. Little Caesar Enterprises Inc., king of the two-for-one pizza deal, made the list for the fourth year in a row, while Doctors Associates, franchisor of Subway sandwich shops, Domino's Pizza Inc., master of the 30-minute delivery guarantee, Ryan's Family Steak Houses Inc., home of the Mega Bar, and Chili's Inc., the casual dinner house chain, all made their third appearance in four years.

It was another banner year for mergers and acquisitions in the foodservice industry, and at least 10 of the "400" companies were able to move up several places in the ranking by acquiring a competitor. Pantera's Corp. took the biggest leap, jumping from No. 232 to No. 61 after purchasing Pizza

1987 was a year in the fast lane for many "400" companies.

THE BIG GET BIGGER

Nowhere is that expression as true as in the "400." The sales growth registered by the top 25 companies was nearly 50% greater than the remaining 375 companies put together. Companies ranking 26 through 100 also showed respectable growth, posting sales increasing of $2.2 billion.



TOP 20 GROWTH COMPANIES: BY PERCENTAGE OF SALES GAIN

Limited fast-food concepts were the ticket to growth in 1987. Restaurants Unlimited's Cinnabon concept boosted that company's sales nearly 100%, while Doctors Associates (Subway sandwiches) and TCBY also scored substantial gains.

Company	% sales growth	% unit growth	Segment
Restaurants Unlimited	95.1	311.1	Div. restaurants
Doctors Associates	94.3	83.9	Franchisor
Ryan's Family Steak Houses	78.2	35.7	Full service
TCBY Inc.	70.7	79.5	Franchisor
Continental Cos.	46.0	25.6	Div. franchisee
Levy Restaurants	44.7	11.1	Div. restaurants
Unicare	44.4	48.3	Health care
Sbarro	43.9	33.2	Franchisor
Little Caesar Ent. Inc.	39.4	39.1	Franchisor
General Mills Rest. Group	38.1	7.5	Div. restaurants
Harcourt, Brace, Jovanovich	35.1	25.9	Recreation
Domino's Pizza Inc.	32.0	18.7	Franchisor
Chicago Board of Education	32.0	-1.0	Schools
Theo H. Davies	32.0	65.0	Div. franchisee
Circle K	31.1	28.1	Retail
Legal Sea Foods	30.8	120.0	Full service
Lettuce Entertain You	30.8	-3.1	Div. restaurants
Mister Donut of America	30.6	14.0	Franchisor
Chili's Inc.	29.1	2.9	Franchisor
Franchise Enterprises Inc.	28.6	29.5	Franchisee

Companies whose sales were estimated by *R&I* or who changed their method of reporting are not included

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Inn and boosting sales 400%. Mrs. Fields Inc. wasn't too far behind, with a sales increase of 246%, the result of buying La Petite Boulangerie.

Four institutional organizations jumped on the merger bandwagon: ServiceMaster Foodservice Division, which bought American Food Management, increasing sales 125%; Northwest Airlines, which purchased Republic Airlines and saw its foodservice sales equivalent jump 108%; Seiler Corp., which acquired several smaller contract companies and bumped its sales equivalent 35%; and Morrison Inc., which took over Custom Management Corp. and boosted sales by 31%.

One company that is ignoring analysts' warnings about an overbuilt restaurant market and is vaulting through the "400" ranks as a result is TCBY Inc., the frozen-yogurt shop franchisor. TCBY's unit count grew by nearly 80% from the previous year (its first year in the "400"), and sales almost kept pace, increasing 70.7%. The company is growing aggressively but not recklessly: 70% of its new stores were opened by existing franchisees.

One of the benefits of being a franchisee is the operator's ability to concentrate on day-to-day restaurant management without worrying about menu development, advertising campaigns or long-term strategies. Several "400" organizations exemplify this principle well: Continental Cos., a franchisee of several hotel brands, Theo H. Davies, the Hawaii franchisee of Pizza Hut and Taco Bell, and JRN, a Kentucky Fried Chicken franchisee, all ranked among the top 20 sales percentage growth leaders.

Franchising is not the only road to riches, however. Four more of the top 20 sales percentage growth leaders are full-service restaurant organizations that do not franchise: The Levy Restaurants, General Mills Restaurants Inc., Legal Sea Foods and Lettuce Entertain You. All scored sales increases of 30% or better.

And despite much talk about belt-tightening and retrenching in the health-care segment, one nursing home operator, Unicare Health Facilities Inc., showed better than 40% growth in both sales and units during 1987. As the American population continues to age, the demand for nursing home beds increases, and Unicare is stepping in to fill that need. ***—Maureen Pratscher***

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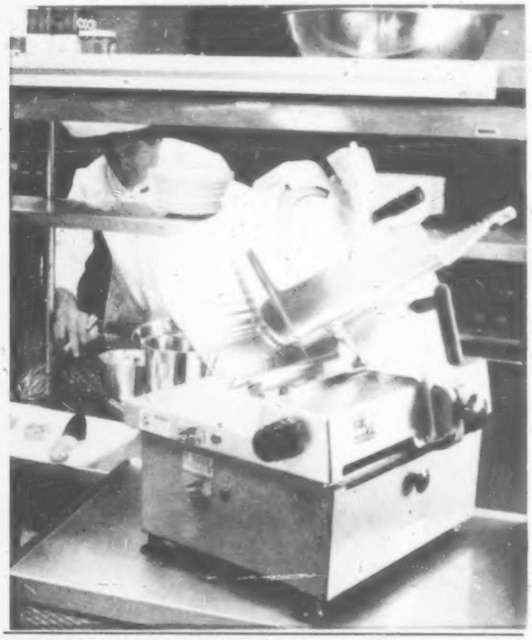

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GROWTH LEADERS

Acquisitions, unit growth fueled sales increases for "400" companies.

TOP 15 GROWTH COMPANIES: BY ABSOLUTE DOLLAR GAIN

McDonald's led the charge, boosting its sales nearly $2 billion in 1987. Much of the burger chain's growth can be attributed to strong international sales as well as a jump in same-store sales. PepsiCo, also with a strong international presence, was the only other company to break the $1 billion sales-increase barrier.

Company	$ gain from 1986-1987	Segment
McDonald's Corp.	$1,930.4MM	Franchisor/fast food
PepsiCo Fs. Division	1,204.4	Franchisor/fast food
Marriott Corp.	571.7	Diverse fs./lodging
Pillsbury Co. Rest. Group	553.0	Franchisor/div. rest.
Domino's Pizza Inc.	480.0	Franchisor/fast food
General Mills Rest. Inc.	400.0	Diverse restaurants
Intl. Dairy Queen	309.0	Franchisor/div. rest.
Pantera's Corp.	240.0	Franchisor/full serv.
Imasco USA	213.1	Franchisor/fast food
Morrison Inc.	205.8	Diverse fs./mgmt.
Little Caesar Ent. Inc.	205.0	Franchisor/fast food
ARA Services	181.0	Div. fs./mgmt.
Denny's Inc.	149.6	Franchisor/full serv.
Mrs. Fields Inc.	144.5	Fast food
Sheraton Corp.	139.4	Franchisor/lodging

TOP 10 GROWTH COMPANIES: BY ACQUISITION

Several "400" companies got the urge to splurge in 1986 and early 1987, and their resulting purchases helped them to boost their foodservice sales by as much as 400%. In most cases, the big acquire the little, but Pantera's reversed that trend with its Pizza Inn purchase.

Company	% sales growth	Company acquired
Pantera's	400.0	Pizza Inn
Mrs. Fields	246.2	La Petite Boulangeri
ServiceMaster	125.1	American Food Mgm
Northwest Airlines	108.7	Republic Airlines
Unigate	74.8	Prufrock Inc.
Seiler Corp.	35.8	(several companies)
Morrison Inc.	31.6	Custom Managemen
Intl. Dairy Queen	17.9	Karmelkorn, Orange Julius
Restaurant Associates	11.4	Acapulco Restaurant
Carousel Snack Bars	11.1	Orange Bowl

Companies whose sales were estimated by *R&I* or who changed their method of reporting are not included. ©1988 *Restaurants & Institutions*, a Cahners publication.

400: CONTRACTORS

SERVICE FOR HIRE

ARA has become the Sears of contract services and continues to expand its product lines.

"What you want, baby, I got it." These words, popularized in the late 1960s by Aretha Franklin, could well be the advertising slogan of contract companies today. Simply, companies such as TW Services, ARA Services, Seiler, Guest Services, daka and Marriott are diversifying at a great rate, not only within the foodservice market but into areas such as housekeeping, magazine delivery, gift shop management, lodging and stadium concessions—both in the United States and abroad.

But, with little doubt, it is ARA Services whose reach is the widest. The privately owned company, based in Philadelphia, has its finger in almost every market pie imaginable. Many industry experts now term this 119,000-employee conglomerate "the Sears of the contract-service companies." And with good reason, as the following brief descriptions of its divisions and accomplishments will show.

ARA introduced a debit-card payment system for ARA vending machines (operated by the Vending division in conjunction with the company's Business, Convention and Personal Dining Group). Within this group, ARA's off-premises premium retail catering company, Classic Fare, expanded into six additional cities.

The convention-center business served attendees at some of the world's largest professional gatherings, including the National Hardware and Chicago Auto shows held in McCormick Place.

The Fine Dining division received awards for the cuisine and service offered at ARA's 95th Restaurant in Chicago, The Carnelian Room in San Francisco and the U.S. Bancorp Towers in Portland, Ore.

Pennswood Caterer, an extension of the Fine Dining division and in its second year of operation, provided elegant picnic lunches to discerning customers.

ARA offers popular foods at numerous sports stadiums.

Pizza
Chicken Fillet
ARA

400: CONTRACTORS

MARRIOTT CORP.

The scope of Marriott Corp. is also great. The company owns or operates:

Marriott Hotels and Resorts
Marriott Suites
Residence Inn by Marriott
Courtyard by Marriott
Fairfield Inn
Marriott Business Food and Services
Marriott Education Services
Marriott Health Care Services
Marriott In-Flite Services
Host International Inc.
Family Restaurants (including Bob's Big Boys and Howard Johnson units)
Roy Rogers
Travel Plazas by Marriott
Hot Shoppes

> ARA also has operations in Canada, the United Kingdom, Germany, Belgium and Japan.

ARA also provided foodservice to more than 5,000 athletes and coaches participating in the Pan Am Games.

Turning to health care, the company's Nutrition Services assisted a growing number of its client hospitals.

ARA taps the college market through its Campus Dining Services division. The company boasts a 94% retention rate of clients serviced by its School Nutrition Services division.

ARA/Cory Refreshment Services, yet another division, introduced a number of new programs, including a soda BreakMate system. The division also embarked on a mail-order business called the "Cory Collection."

The Leisure Services division continued to try to meet the challenges posed by special events such as the racing season at the Saratoga Race Track.

The company isn't just limiting its offer of services to those residing in the United States, either. ARA Services also provides food and other services in the United Kingdom, Canada, Germany, Belgium and Japan.

Last year, ARA merged its uniform rental services to form ARATEX.

The Magazine and Book division provided more than 500 million books, newspapers and magazines to 20,000 retail locations.

ARA's Living Centers Inc. continued its emphasis on comprehensive care programs for those afflicted with Alzheimer's disease.

With the acquisition of Children's World, ARA more than doubled its early-childhood-development centers to 450 in 19 states.

Last year, the company's Correctional Medical Systems Inc. provided comprehensive medical care to 44,500 inmates at 69 sites in 16 states. The company also completed a merger with Szabo.

ARA's Environmental Services Inc., as the name implies, cleans corporate headquarters, health-care and educational facilities.

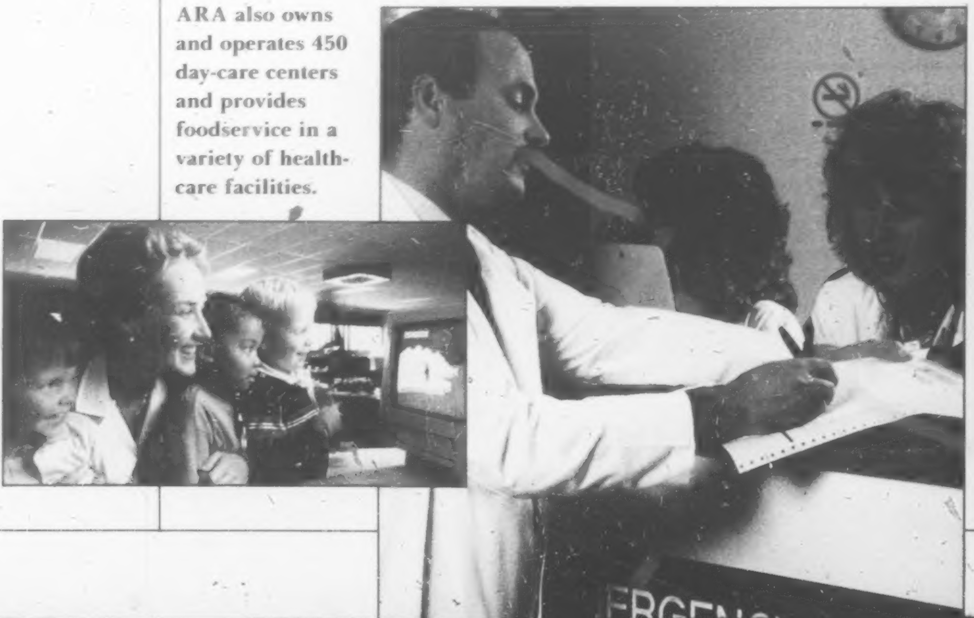
ARA also has combined with General Motors to form a joint venture company called GMARA Industrial Cleaning. The company also is developing a private-label line of cleaning products.

Last, but certainly not least, ARA's Encore Services has 130,000 individual contract holders.

For most companies, it is less trouble to buy a company that already has established clients. For this reason, the trend of mergers and acquisitions, while perhaps not as frenetic as in years past, will probably continue. Yes, Aretha, what you want, the contract companies will provide.

—Susie Stephenson

ARA also owns and operates 450 day-care centers and provides foodservice in a variety of health-care facilities.



400: MERGERS

JOINT RESOLUTIONS

Foodservice industry helped make '87 the year of the takeover as merger mania struck "400" companies.

The U.S. foodservice industry is doing its share to shore up predictions from business and financial analysts that 1988 will go down in history as the year of the takeover. With real estate as an extra enticement and availability of capital as an added incentive, foodservice companies kept pace with business at large. One measure of the overall merger mania cited by *Business Week* was the $50 billion worth of bids put on the table between Jan. 1 and March 7, 1987.

UAL's $980 million offer for Hilton International, W.R. Grace's $536.7 million leveraged buyout of its restaurant group and Calvalcade Holdings' offer of $237.5 million for Furr's Cafeterias and Bishop Buffets were just a few of the multimillion-dollar deals consummated in those two months. 1987 was a banner year for "400" companies, who used mergers and acquisitions as a shortcut to corporate goals: expansion, new markets entry, adding concepts or related businesses, restructuring, divesting, and acquiring real estate or units for conversion. Several major themes dominated the "400"'s activity during the past 18 months: major transactions characterized by the element of surprise, David-and-Goliath deals, and the complicated maneuvers of some big-league players, for example, **Marriott**.

Early in 1987, **Pizza Hut** acquired 190 Straw Hat Pizza units from Marriott's Saga (all company-owned). Most will be converted to Pizza Huts, but Saga will continue to operate the Straw Hat franchise system. Some Straw Hat franchisees, however, will be able to enter the Pizza Hut system. Marriott's divestitures continued with the sale of 20 Stuart Anderson's to **Ground Round** for conversion, and culminated with a bang: the transfer of Big Boy franchising rights to Warren, Mich.-based **Elias Brothers Restaurants Inc.**, the biggest Big Boy fran-

Hand signals: Mergers tend to be mutual, but takeovers hostile.

400: MERGERS

Big deals, big risks: Some "400" companies grow by acquisition; others drop out of "400" ranks.

LITTLE FISH, BIG DEALS

In a marketplace where the big companies take over the small, turnabout is fair play. And that was the theme for some of 1987's best deals (see chart, r.). When petite Pantera's purchased Pizza Inn, it became one of five largest U.S. pizza chains. In addition, Pantera bought 40 Godfather's Pizza units in Denver from Inland Pizza Corp. to bring Pantera's units to 865. Pizza Inn and Godfather's units will bear Pantera's name. Small Steve's scooped up sizable Swensen's for stock (each Swensen's stockholder receives two shares of Steve's and a five-year option to buy one share of Steve's common stock for every six shares of Swensen's at $6 per share). Plans are under way for Swensen's Phoenix-based headquarters to move and merge with Steve's in Boston. Aurora, Ill.-based Oberweis, an ice-cream maker with a few dipping stores, got a match made in heaven with Des Plaines, Ill.-based Bresler's 300 outlets. All units will be called Bresler's Ice Cream and Yogurt Shops. In addition to these small companies who gobbled up giants whole, some smaller companies with healthy appetites took big bites of giants. For example, Mrs. Fields, a 565-unit company with '87 sales of $203.2MM*, got more than crumbs from PepsiCo, a 16,407-unit company with $8,540MM '87 sales. Mrs. Fields acquired all 135 La Petite Boulangerie units with '87 sales of $43MM*. The sale price: $15MM*.

* R&I estimate

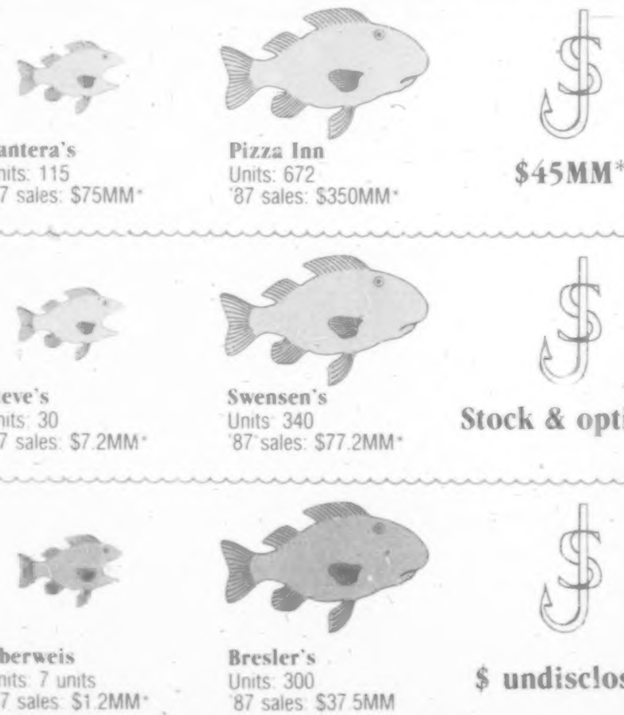
chisee. Marriott's move brought harsh criticism from Big Boy founder Bob Wian, and protests from **Marcus Corp.**, a Milwaukee-based Big Boy franchisee. But Marriott's big bid for Denny's (an offer estimated at between $660 million and $800 million) broke down. Instead of Marriott's getting the 1,200 units plus a 42% share in Winchell's, **TW Services** walked away with the prize: 1,200 Denny's, 750 Winchell's and 70 El Pollo Loco for $218 million cash and the assumption of Denny's debt.

Another big dealer, Chicago-based **Carson Pirie Scott & Co.** sold Dobbs House in-flight catering and airport restaurants to **Greyhound Corp.** for $390 million, Dobbs Food Service Management to **Morrison Inc.**, adding 70 contract accounts to Morrison's Custom Management Division to equal 800, and 40-unit Toddle House to **Diversified Hospitality Group** out of Milford, Conn., who also owns the 130-unit Steak 'n Egg Kitchens.

The nomination for the most complicated deal goes to **Allegis** formerly known as UAL. When **KLM Royal Dutch Airline** reconsidered its bid to buy Hilton International hotels from Transworld Corp. (now TW Services), **UAL** bought the hotel group for $980 million and changed its name to Allegis. Then Westin management proposed buying **Westin Hotels** along with Hilton International from parent company Allegis, but that deal fell through.

SMALL FRY MAKE QUANTUM LEAPS

In nature, the big fish eat the little fish. But in business, sometimes the rule is reversed. For example, during 1987 at least three "400" companies gobbled up much larger companies: Pantera's acquired Pizza Inn (for $45 million), which is the country's fourth largest pizza chain; Little Steve's licked up Swensen's (for stock and stock options), a 340-scoop ice cream cone. Oberweis Dairy treated itself to a Bresler's sundae with the works: 300 units.



Pantera's Units: 115 '87 sales: $75MM*	**Pizza Inn** Units: 672 '87 sales: $350MM*	**$45MM***
Steve's Units: 30 '87 sales: $7.2MM*	**Swensen's** Units: 340 '87 sales: $77.2MM*	**Stock & options**
Oberweis Units: 7 units '87 sales: $1.2MM*	**Bresler's** Units: 300 '87 sales: $37.5MM	**$ undisclosed**

* R&I estimate

The ultimate buyer was London, England-based **Ladbroke Group PLC**, who purchased for $1.07 billion the 91 Hilton International hotels as well as a 20-year management agreement for Hilton to operate the 600-room Toronto Westin hotel. At this writing, Allegis has come full circle, divesting itself of other operating divisions (Westin was sold to Aoki Corp., based in Tokyo, Japan), leaving only United Airlines.

One big buy, Lubbock, Texas-based **Cavalcade Holdings**' of 133 Furr's Cafeterias and 35 Bishop's Buffets from **K mart** for $237.5 million, left no big hole: K mart still has 1,900 foodservice outlets and $300 million in annual foodservice sales.

One sweet deal was **International Dairy Queen**'s purchase of 750 **Orange Julius** units, all in malls. Only 40 of IDQ's 4,940 units are in malls. Two neat deals were: **Brock Hotel Corp.**'s purchase of 58 Houston-based Monterey House units, thus adding a Mexican concept, and **General Mills' Red Lobster**'s purchase of the 28-unit, California-based Seafood Broiler chain. GM will convert units to Red Lobster, providing instant new-market penetration.

One of the biggest surprises of 1987 was **Howard Johnson**'s franchisees' purchase of Howard Johnson's franchisor. Franchise Associates Inc., South Weymouth, Mass., the organization that franchises HJ restaurants, was purchased in a private offering by its franchisees, a stock issue the company claims is a first in franchised restaurant history. The organization hopes one area of growth will be adding Howard Johnson units currently owned by Marriott.

Also of note: Fallout from **Wendy's,** with sale of PoFolks' **Davco division** to Davco management (FFFG Acquisition Corp.), and **Sister's Chicken & Biscuits** sale to Cleveland-based Sis Corp., its largest franchisee for $14.5 million . . . **Foodmaker's** acquisition of 200-unit **Chi-Chi's** for $230 million, adding Mexican concept that won't detract from Jack In The Box . . . **Trans Pacific's** leveraged buyout from founding family . . . Tennessee-based **TPI Restaurants's** buyout of **Shoney's South** . . . **AWR II Acquisition Corp.'s** purchase of **Naugles,** Collins Foods' Mexican concept, making Anwar Soliman's **AWR** the owner of the second largest Mexican fast-food chain. (PepsiCo's Taco Bell No. 1.) ***—Nancy Ross Ryan***

RESTAURANT INDUSTRY RIPE FOR ACQUISITIONS

Recent mergers and acquisitions in the restaurant industry have resulted in healthier, more focused and vigorous companies. Far from being arbitrary, the deals have been motivated by fundamental trends.

The industry has witnessed a spate of acquisitions for the same reason they occur anywhere: Buyers—whether they be corporate buyers looking to expand their business or financial buyers looking to take a company private —believe they have found value. The securities market has given some restaurant companies dramatically low market valuations. This was true before the market crash last October, and it is more true today.

A little history helps put this situation into focus. During the 1980-84 period, there was an extremely positive outlook for the restaurant industry, and many companies expanded rapidly. Capital markets, influenced by the optimistic industry forecast, were earger to invest funds.

However, expansion in the industry outstripped demand by 1985-86. While several of the better-managed chains continued to enjoy healthy profit growth, many restaurant companies experienced deteriorating margins.

As a consequence, restaurant companies as a group underperformed the market during the 1984-87 period. While the bull market carried the stocks of other companies to new highs, many restaurant companies found their overexpansion resulted in disappointing earnings. Even if the general market euphoria gave restaurant companies a higher price-to-earnings multiple, due to reduced earnings, there was a minimal increase in the market value of the stocks. The result today is many of these companies have the same or lower valuations as they had four or five years ago.

Buyers believe that although market valuations remain low, fundamental conditions are better. Since 1987, the overall supply and demand balance has improved somewhat. Some restaurant companies limited their expansion or closed units in response to their earlier difficulties. This, in combination with continued moderate increases in demand, has provided a basis for better managed companies to increase earnings.

STEVEN L. FINGERHOOD
Steven Fingerhood is an associate with the Mergers and Acquisitions Group at Montgomery Securities, a San Francisco-based investment banking firm with a focus on the restaurant industry.

For many buyers, the conclusion is clear. The market continues to assign low valuations to some companies despite improving industry conditions, making these companies attractive acquisition candidates. When the broader economic trends are becoming more favorable for the entire industry, the buying criteria returns to the capabilities of the management team to meet the goals within its control. Those requirements are constant and predictable: to provide the customer with excellent food and service, stay attuned to changing consumer preferences, effectively manage costs and, if possible, achieve controlled growth.

Companies that distinguish themselves in those respects have enormous value. They offer a buyer an established franchise with growth opportunities and a stable cash flow.

The company's cash flow is often used by the buyer to help finance the purchase. Particularly in recent years, banks have become more comfortable making loans based upon the predictable free cash flow of the company rather than the value of its assets.

This increased availability of leveraged financing is a particularly important development for management teams, which have the capability of joining with financial partners to become buyers themselves in leveraged buyout transactions. LBOs have become increasingly popular as many management teams choose to assume additional financial risk (debt) instead of operating risk (unit expansion in an already crowded market).

—Steven L. Fingerhood

400: MARKETING

CAMPAIGNING FOR CUSTOMERS

Can regional favorite sons compete when leader McDonald's votes a $362 million TV budget?

Industry statistics show that 1987 was a good year for the restaurant industry as a whole: Traffic and dollar sales gains were well in excess of the two previous years. But the picture was not so rosy among the chains as new units accounted for much of the growth and operators found more and more hands reaching out for a portion of the precious customer dollar.

As the chains all struggle to increase their market share, their tactics are as varied as their menus. Some promote specific customer benefits—fast service or speedy delivery, convenient locations, low prices—while others focus their promotional efforts on new product rollouts or meal specials such as Dairy Queen's Full Meal Deal. In 1987, nutrition was a major selling point, and a number of chains, most notably McDonald's, played up the nutrient value of specific menu items. Games and contests were successful in increasing both new and repeat business.

According to the Television Bureau of Advertising, restaurant chains plunged more money than ever before into television advertising last year, a record-breaking sum of more than $1.3 billion. Total expenditures by the chains were up 10% over 1986, although some chains, such as Kentucky Fried Chicken and Red Lobster, had increases of as much as 30%. McDonald's, the leader, spent $362.2 million on television last year.

Following is a brief look at some of the strategies used by the major players in various segments of the quick-service market.

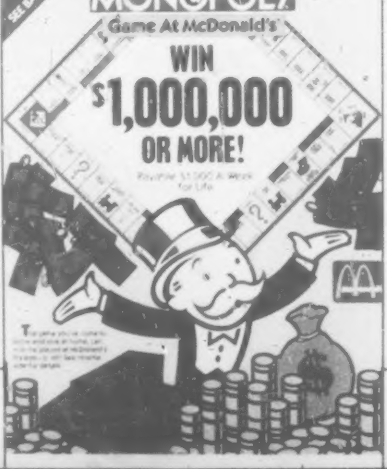
Hamburgers: In the hamburger segment, No. 2 chain Burger King is taking shots at Big Mac once again, this time with a $200 million ad campaign that sings the praises of flame-broiling. The 1988 campaign, the first created by Burger King's new agency, features a series of backyard scenes in which people praise flame-broiled burgers, using the tagline "We do it like you'd do it."

At McDonald's, the Mac Tonight television spots ran from August to October 1987. The commercials were immensely popular but the company will not say whether it plans to continue them or not. McDonald's will continue the 1988 version of its successful Monopoly game and plans to follow it with a reprise of the 1984 "When the Americans Win, You Win" promotion, during the upcoming Olympic games.

Meanwhile, McDonald's made a huge splash in the print media this year with a series of nutrition-oriented ads running in national magazines such as *Time*, *Newsweek* and *American Health*. The ads drew criticism from nutrition experts who claimed they were deceptive, but McDonald's plans to continue releasing new nutrition-oriented ads throughout 1988.

Pizza: Disappointed by the recent campaign featuring comedian Rich Hall and the Mobile Institute for Pizza Studies, PepsiCo's Pizza Hut dumped

A 1987 McDonald's Monopoly board



400: MARKETING

The chains spent $1.3 billion on television advertising in 1987, more than ever before.

PROMINENT PROMOTIONS

We asked some top chains what their most significant promotion was in 1987. Here are their responses.

Baskin-Robbins: Baseball and football helmet sundaes
Bob Evans Farms: "Just a Few Smiles from Home" campaign
Burger King: Burger Bundles
Carl's Jr.: "Just Wait 'til You Taste It" campaign featuring Carl Karcher
Chick-fil-A: "Celebrate Space Sweepstakes"
Church's Fried Chicken: $3.99 Eight-Piece Dark Promo
Domino's Pizza: The Noid campaign and the rollout of a product guarantee
Dunkin' Donuts: "Wake Up Time" commercials
Godfather's Pizza: "What Are You Waiting For?" campaign
Jack In The Box: Introduction of Fajita Pita
JB's Restaurants: All-You-Can-Eat-Shrimp
Long John Silver's: "Sounds Good to Me"
Morrison's: Packaged meals at fixed prices
McDonald's: Monopoly
Pizza Hut: Rich Hall and the Mobile Institute for Pizza Studies
Red Lobster: The Lobster Fest, Seafood Trio and other product-oriented promotions
Steak & Ale: "The Legend in Steak" campaign
Wendy's: Furskins Plush Toys

ad agency Chiat/Day and switched to BBDO. The agency's new campaign, which focuses on pizza's versatility and uses the theme "Makin' it Great," was unveiled in January 1988. In selected markets, the campaign also promises guaranteed carryout and delivery times.

Interestingly enough, in the Domino's 1987 annual report, founder and Chairman Tom Monaghan talks about one of the "big disappointments" of 1987: Dominos' failure to honor the 30-minute delivery guarantee 35% of the time. Although this represents an improvement over the year before, Monaghan says, "It's still totally unacceptable" and that meeting the delivery guarantee time "must be our biggest priority in 1988."

Steak: At the 610-unit, Dallas-based Bonanza Steak House chain, the marketing focus continues to shift away from steak. "People don't eat as much steak as they used to," says President and CEO Jeff Rogers, "and we've done an excellent job of repositioning. Today we're perceived as a budget meal restaurant vs. a budget steak restaurant."

Most of the items showcased in Bonanza's newest ad campaign will be non-red-meat items. One commercial shows customers choosing between broiled seafood and shrimp scampi dinners; another features the charbroiled Chicken Monterey. A third promotes the chain's Freshtastiks salad bar. Rogers says Bonanza will continue to focus on value and variety—not steak—in the coming months. "Five years ago, people came to us first for steak, then price, then location and, finally, salad bar," Rogers says. "Today it's variety first, then salad bar, then price. Steak is No. 10 or 11."

Stuart Anderson's, on the other hand, has taken the opposite tack: The company has launched a new public relations campaign designed to enhance the image of beef, stressing its nutritional and taste values. In the meantime, Stuart Anderson's will continue its "Tales of the West" advertising campaign through the end of 1988.

Chicken: In the chicken segment, No. 2 chain Church's continues to use low prices and large portions as its point of differentiation. The company's new "Big Pieces, Little Prices" umbrella campaign will feature a variety of price specials all playing off that strategy: the $3.99 Eight-Piece Dark, the Chicken Big Sandwich and Two Pieces for 99 cents, among them.

Church's used no television in 1987, spending $13.2 million on radio and direct mail, but added national TV to the mix for 1988. "We're trying to establish our leadership position as the low-priced value chicken chain," says Vice President of Marketing Wallace Winslow. "Church's has a downscale

Introducing
COUNTRY STUFFERS
BLUE RIBBON TASTE
COUNTRY KITCHEN
Eat your calcium.

400: MARKETING

With too many players in the fast-food game, clever marketing tactics are essential.

customer base, and we've found marketing price points to be the most potent motivator."

At the Atlanta-based Chick-fil-A, 1987 was a repeat year of double-digit sales growth—11%. In 1987, the company sponsored a "Celebrate Space Sweepstakes," in which the grand prize was a family trip to space-related destinations in Orlando, Fla., Washington, D.C., or Houston. According to Chick-fil-A's Donald Perry, the company will continue with promotions of this sort. "In our marketing mix, the promotion concept is key," he says.

Family dining: Country Kitchen continues to maintain its "doing what we do best" marketing philosophy. "Our name has a strong magic," says Senior Vice President of Marketing Allan Post. "It says so much more to the customer than Big Boy or Denny's or Perkins; it conjures up nice old-fashioned things." In keeping with this down-home philosophy, the company's current direct-mail campaign reaches potential customers with a personalized, handwritten post card inviting them to stop into the nearest Country Kitchen and taste a specific menu item free of charge. Other promotions planned for 1988 will focus on new menu items such as Country Stuffers.

Mexican: W R. Grace's Taco Villa (40 units) and Del Taco (136 units) concepts are both using product-driven ad campaigns. In 1987, the company promoted the new Grilled Chicken Fajita Salad, which, Director of Marketing Jerry Stephens reports, has since become a popular menu item. The chains' new ad agency will be doing consumer research in coming months and creating a new campaign. "We're a small chain and we approach our marketing on a slightly more individual, market-by-market basis," Stephens notes.

Breakfast: In 1987, Bob Evans Farms used its "Just a Few Smiles from Home" campaign with much success, spending 85% of its advertising budget on television and the remainder on radio and print. According to Robert S. Wood, executive vice president and chief operating officer, Bob Evans will continue using the smiles campaign but will be promoting dinner using a new slogan "See Bob Evans in a Whole New Light," which encourages customers to come to Bob Evans during the evening hours. The promotion will feature seven dinner entrees under $5, four of them new.

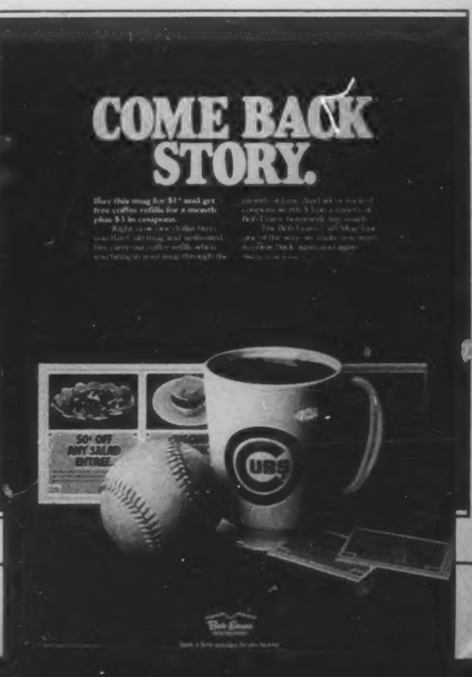
Twenty-eight percent of Evans' sales come from breakfast items, which are served all day. ***—Julie Mautner***

CHAIN ADVERTISING EXPENDITURES
(in millions)

Chain	'87	'88
McDonald's	[illegible]*	[illegible]*
Burger King	[illegible]	[illegible]
KFC	[illegible]**	n/a
Wendy's	[illegible]	n/a
Pizza Hut	n/a	$75
Taco Bell	63*	n/a
Domino's	$53	n/a
Hardee's	$52	n/a
Dairy Queen	$34	n/a
Arby's	$25	$25
Carl's Jr.	n/a	$15+
Church's	$13.2	n/a
Subway	$6.4	$12
IHOP	$7.0	$7.5

*estimate
**does not include newspaper advertising

Bob Evans kicked off a new promotion with Bob Evans Day, held May 15 at Chicago's Wrigley Field. [illegible]


COME BACK STORY.
Buy this mug for $1* and get free coffee refills for a month plus $3 in coupons.
50¢ OFF ANY SALAD ENTREE
Bob Evans

MANAGEMENT GO-ROUND

Food specialists are fleeing the pressures of cash-driven companies with short-term goals.

In the past 15 months, Lewis "Bucky" Kilbourne has held executive positions at three different companies: vice president of finance and chief financial officer at Church's Fried Chicken; chief financial officer at Brock Hotel Corp.; and his present position, executive vice president of finance and administration, and chief financial officer at A. Copeland Enterprises. That explains why Kilbourne laughed when he heard the reason for this story: the continuing flurry of top management shifts in the foodservice industry.

Rapid, multiple shifts like Kilbourne's from one executive suite to another have become common. Reasons executives give for the shifts are as varied as the shifts themselves: higher-level positions, elimination of jobs due to mergers and acquisitions, firings and resignations due to declining profits, new opportunities not to be passed up.

But speaking anonymously, executives point to unrealistic expectations of stockholders and analysts as the underlying cause of the shift epidemic.

"When investors and analysts don't adjust expectations to what is happening in the industry," says one top-level executive, "publicly held companies are forced to stop doing things that are smart for the business. Managers get into the position of having to make a lot of cuts for investors' approval while the things that would be smart for the business would require capital investment." Ultimately, executives in this position get fed up and leave.

"Analyst and stockholder pressures have caused a lot of operators to start short-terming the business," another executive explains, "making decisions that really cut the heart out of the business—all of the things necessary to remain on the competitive edge for the long term." (These things include product development, marketing research, management information systems and sufficient operations staff.)

While most executives interviewed for this story attributed job changes in general to the above situation, just how much analyst pressures had to do with individual shifts in 1987 is difficult to determine. Following is a list of executives and their shifts with explanations for the job changes where possible:

Fred Gonzales left his position as senior marketing vice president of Ponderosa after Asher Edelman took over, not

Top foodservice chain executives: in one door and out the other.

wanting to be "at a cash-driven company where all of the management's energy was directed at servicing debt rather than building the company up for the long term." Gonzales went to JB's Restaurants Inc., a smaller company where he could effect changes more quickly. (Gonzales went to JB's in March 1987 after one year at Ponderosa, preceded by 2½ years at Church's.)

Richard Sherman resigned from the top spot at Church's because he "disagreed with the company's strategy of growing through primarily company-owned units." He tried to take the company private by acquiring the chain. When his offer was rejected he reappeared in July 1987 as president, chief executive officer and part owner of Rally's, a privately held drive-thru burger chain, which he has grown from 22 stores to 72 through franchising.

Robert Larive, fired from a position as chief executive officer and president of Calny Inc. in December 1986 and thwarted in his repeated attempts to buy the company via private investment group before it was picked up by PepsiCo in April 1988, resides in Hillsborough, Calif. Larive says he spent the last year "reviewing acquisition and franchise opportunities" in the California area. Larive left Calny because "they weren't happy with the company's short-term earnings. There just wasn't a lot of patience on the board for the long term. They wanted numbers now and didn't understand that there was no way to improve for the short term. I just couldn't get them to look at the future as opposed to each quarter."

Richard Reinhard says he fortuitously left Southland Corp. before the founding family staged a leveraged buyout that resulted in a $5 billion debt and multitudinous firings. Reinhard feels the LBO was definitely prompted by pressures from stockholders and analysts. Reinhard left Southland to become president and chief executive officer of Central Park U.S.A., the nation's first double-drive-thru burger chain.

The tale at the top at TGI Friday's is full of shifts. **Dan Scoggin** left at the end of 1986 to reappear in July 1987 with a new concept, Juliano's Corp., which sells uncooked pizzas that patrons cook at home. Scoggin founded the company in July 1987 with San Francisco financial planner Larry Gaffe as president. Scoggin was replaced at

FOODSERVICE EXECUTIVE SALARIES

Salaries are certainly a determinant in job shifts. So who got what in 1987? The following table, in descending order of cash compensation (salary and bonus), lists top executive salaries and benefit highlights at nine foodservice companies.

	Cash compensation (salary & bonus)	Compensation highlights
[illegible]	$970,886	[illegible]
[illegible]	$412,393	[illegible]
[illegible]	$719,948	[illegible]
[illegible]	$522,448	[illegible]
[illegible]	$654,193	[illegible]
[illegible]	$230,194	[illegible]
[illegible]	$629,868	[illegible]
[illegible]	$484,491	[illegible]
[illegible]	$610,577	[illegible]
[illegible]	$355,000	[illegible]
[illegible]	$575,000	[illegible]
[illegible]	$316,250	[illegible]
[illegible]	$262,138	[illegible]
[illegible]	$150,948	[illegible]

*Cooper resigned as CEO Nov. 30, 1987; Office resigned Jan. 21, 1987; Russo resigned Feb. 12, 1987

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400: EXECUTIVES

Rapid, multiple shifts from one executive suite to another have become common.

TGI Friday's by **J. Michael Jenkins,** who came over from Pillsbury's S&A Corp., and brought **Richard Rivera,** former S&A colleague, with him. When the stock market crashed just more than a year later, Jenkins left Friday's, hoping to acquire a company with low stock prices and strong underlying economic strength. (At press time, he was still looking.) Rivera succeeded Jenkins.

At press time, **Gene Stone,** former chairman and chief executive officer of Skipper's Inc. and **Chris LeSourd,** former Skipper's president, had yet to resurface following their December resignations. **Everett "Jeff" Jefferson,** former president and chief operating officer of International King's Table Inc., stepped in as chief executive officer at Skipper's in May.

Lou Neeb, former chief executive officer at Burger King and former president of Steak & Ale and Taco Villa, is now big into franchising. Neeb teamed up with Dallas investor William Dunham to form GC-DFW Corp., a franchise company that will develop 15 Golden Corral Family Steak Houses in the Dallas-Fort Worth area within the next five years. Neeb and Dunham also head up Southwest Uno Inc., the Dallas-area Pizzeria Uno franchise, and plan to develop at least 10 Pizzeria Unos.

Art Gunther made his third career switch of the past two years to become a franchisee of Pizzeria Uno in San Francisco. Gunther resigned from the presidency of Pizza Hut in 1986 to preside at La Petite Boulangerie, then owned by PepsiCo. He stayed with the chain through its acquisition by Mrs. Fields Cookies and then left for Pizzeria Uno.

Thomas Gruber left a position as vice president and director of international marketing at McDonald's in March 1987 to become executive vice president of marketing at Jerrico Inc. For undisclosed reasons, Gruber left Jerrico in December and was replaced by **Bob McDevitt,** who came over from Pizza Hut.

Harris Cooper stepped down from the presidency of International Dairy Queen in November 1987 to launch a new venture called TeleChef, a firm that delivers reheatable meals to consumers' homes. (IDQ owns 60% of the company.) At press time, TeleChef had temporarily ceased operations for lack of working capital.

Chris Schoenleb left the chief executive officer spot at Bojangles' to become president of Fortis and Fortis advertising in February 1987, a position which he left in September 1987 to become vice president of franchise operations-East for Midas Muffler.

Terry Spaight was a regional manager for S&A until he left to become executive vice president and director of operations at Brock Hotel Corp.'s ShowBiz-Pizza Time division in May 1987. Spaight says he made the shift to rejoin Dick Frank, who left S&A in 1985 to become chairman of ShowBiz.

Anthony Lavely came over from a position as executive vice president of marketing at Jerrico's Long John Silver's to become president of ill-fated Quik-Wok—the Chinese fast-food concept Pillsbury is now trying to sell. Not wishing to waste talent, Pillsbury moved Lavely to Burger King, where he is vice president of marketing.

Thomas Arnold resigned from the presidency at Del E. Webb in January 1987 to get into the real estate business in February 1987. Arnold is now president of Allen Tenant Services in Phoenix, Ariz.

Fallout from the Saga saga, **Fedele Bauccio** and **Ernest Collins,** who served as president of Stuart Anderson's Cattle Co. and vice president general counsel and secretary of Saga, respectively, until May 1, 1987, bought a San Francisco catering firm called Bon Appetit in July 1987.

John Theoharis left a position as vice president and director of operations at Casa Lupita when it was sold to Grisanti's in August 1987. He moved to become president and chief executive officer at PoFolks, replacing **Clyde Culp** who resigned at the end of December 1987, just a month after the chain filed for Chapter 11. Culp and **Walter Spear,** who resigned from PoFolks' executive vice presidency, have yet to reappear in the foodservice business.

—Monica Kass

EXECUTIVE SALARIES IN OTHER INDUSTRIES

Aerospace (industrial, high tech):
J.C. Bierwirth, chairman, Grumman, $520,000 salary and bonus

Banking (financial services):
T.S. Johnson, president, Chemical New York, $451,000 salary and bonus

Chemicals (industrial, low tech):
R.C. Hyndman, vice chairman, Morton Thiokol, $515,000 salary and bonus

Conglomerates (industrial, low tech):
H.E. Singleton, chairman, Teledyne, $850,000 salary and bonus

Drugs (consumer products):
E.L. Step, executive vice president, Eli Lilly, $571,000 salary and bonus

Food processing (consumer products):
R.G. McGovern, president & chief executive officer, Campbell Soup, $696,000 salary and bonus

Natural resources:
G.A. Cox, president and chief operating officer, Phillips Petroleum, $529,000 salary and bonus

Office equipment & computers:
K.V. Cassani, vice chairman, IBM, $667,000 salary and bonus

Service industries:
J.B. Schwemm, chairman, R.R. Donnelley & Sons, $659,000 salary and bonus

400: INSTITUTIONS

BEYOND BREAK EVEN

It's getting sunnier on the institutional side of the street; and, a lot more competitive.

Survival no longer seems to be the only concern in institutions these days. The schools, colleges and, in most cases, health-care institutions that were going to "make it" already have. Those institutions that were not able to make ends meet are now out of business.

The institutions that were successful in their quest for financial soundness—even profitability—have instituted an awesome number of services and programs to keep customers and revenues in house. They had to. Competition from fast-food chains, declining occupancy rates, higher labor costs—these factors plus many more made innovation a necessity for survival.

For Dade County children, innovation on the part of the 2,500-employee school foodservice department has meant new points of service, new promotions, new menu items and much more. The district encompasses 256 schools in an area that is 70 miles from its most northern to its most southern school and provides about 192,000 meals a day (35 million a year).

"Basically, we're trying to make it easier for customers to eat our food," says Jack Hastings, food and nutrition department director. "Some of our campuses are rather large; kids have only 30 to 40 minutes to eat and by the time they walk to the cafeteria, stand in line and purchase food, they don't have much time left."

One way Hastings has tried to solve the problem is by taking food to the students rather than trying to get the students to the food.

For instance, many of Dade County's 26 high school foodservice departments serve students not only in cafeterias but also with satellite lines. Box lunches, a la carte foods, packaged juices and other easy-to-transport foods are taken to the customers (all high school campuses are open). According to Hastings, a couple of the schools have kiosks. In other instances, foodservice employees sell lunches from under a covered walkway, a book room that is not being used and, in one school, employees built a shed under which foodservice could conduct lunch-time business.

Snack shop opens onto outside patio.

This year, the department also installed its first Snack Shop, a small service area with a walk-up window that opens onto a patio area. According to Hastings, many Dade County schools are old (the county recently passed a $980 million bond issue for new school construction and renovation) "and the insides just don't look like a Burger King or McDonald's. In some of our schools, it's more beneficial to us to serve the students outside—not have them come into the cafeterias."

Pizza, chicken nuggets, stuffed baked potatoes and salad bars are particularly popular in the county schools. "We leave the burgers to the chains," concedes Hastings. Salad bar selections, now available in 50 schools (an additional 90 will be installed during the fall and, in a couple of years, all schools will have them, says Hastings), are served

400: INSTITUTIONS

on paper plates with the Dade County School logo. "We're moving more and more in the direction of logos on packaging," says the director. "Customers are accustomed to those kinds of wrappings and find them appealing."

Hastings also keeps students eating on campuses by offering a variety of ethnic foods such as black beans and rice (more than 77% of the Dade County School students are ethnic minorities; more than 50% are of Hispanic origin, including Panamanian, Nicaraguan and Cuban).

A recent breakfast promotion increased sales substantially. A printed menu was sent to students' homes, and parents were reminded that if their children qualified for free or reduced-price lunches, they also qualified for breakfast. Principals announced the breakfast menu for the next day over a public address system each morning. Hastings expects the number of breakfasts served to increase to 50,000 from 30,000 this fall. Offered are such items as French toast sticks (similar to the ones sold by Burger King), bagels, scrambled eggs and cheese in pita pockets, waffles, and sausage and biscuits.

Other institutions are following similar routes to increase profitability. At the Houston schools in Texas, menu items recently added to increase customer counts included baked potatoes and fish nuggets.

Many universities are continuing to renovate operations to offer students more variety. Food courts—with an almost endless number of selections designed to meet the tastes and available dollars of every customer—are being designed and opened. Some college foodservice departments have opted to install commercial operations such as brand-name ice cream shops; others supply in-house-produced selections, which can range from pasta bars to coffee and dessert houses and fine-dining restaurants.

For instance, Sweet Sensations, a retail bakery outlet operated by the University of Tennessee's foodservice department, was doing adequate business when it offered fresh-baked goodies and hand-dipped ice cream served on homemade waffle cones. About 300 customers a day were spending $175 to $225. But to increase revenue, Foodservice Director Norm Hill decided to sell gourmet coffee as well. A year after the department turned a bakery shop into a coffee shop that sold bakery items on the side, business had increased more than 280%, with customer counts up to 1,200 a day.

At the University of Pennsylvania in Philadelphia, a 160,000-square-foot retail and office complex opened in early spring adjacent to the campus. The $21 million project, known as 3401 Walnut, combines university offices with a shopping mall. It was financed through an unusual partnership with private investors. The stores are a joint venture between the university and a shopping center developer.

Health-care facilities are facing the revenue crunch in a variety of ways. In some instances, they are selling off less profitable facilities. For example, Hos-

America's ten best-selling yogurts (ranked by flavor):
DAN
FRESH FL
Vani
LOWFA
DAN
Pla
LOW
YOGU
DAN
Stra
DAN
DAN
GIVE 'EM WH
If the yogurt you serve to your customers isn't pure, lowfat
Dannon, you may be disappointing a lot of people.
Because the fact is, Dannon is America's best-selling bran
of yogurt, outselling its three major competitors combined.
And it comes in all shapes and sizes (not to mention

pital Corp. of America spun off 104 hospitals to its employees for $1.5 billion in cash and some preferred stock last year. Analysts say that move has so far proved successful in bolstering the earnings of the nation's largest hospital chain. In May this year, American Medical International followed suit, saying it would sell 37 small hospitals to its employees for about $910 million in cash, debt and securities (the deal is expected to be completed by the end of August). The new company will have 4,200 licensed beds, or 43% of AMI's domestic operations including eight of the 25 Lifemark hospitals.

One way Humana is trying to beat the empty-bed syndrome is by creating a vertical empire. The company is promoting group health insurance that directs policyholders to Humana hospitals, where they now account for almost 10% of the patient days. In late May, Humana bought Maxicare Health Plans Inc.'s health maintenance organizations in Kentucky and San Antonio, Texas.

Other health-care facilities have entered areas of revenue production they never dreamed of in years past. Foodservice departments are catering fancy dinners, weddings and business meetings; they are packaging and selling frozen special diet meals; offering takeout deli platters and packaged baked goods for sale, and developing services such as weight-loss and drug-abuse programs. A few are even selling antiques and works of art.

Simply, institutions are going to almost any length to make ends meet.

However, their efforts may soon be curtailed. In mid-May, the Reagan Administration endorsed congressional proposals to tax more types of income-producing activities carried on by tax-exempt organizations. The plan, drafted by a House subcommittee, would end the tax-free status of mail-order sales, discount travel programs, health clubs and a wide variety of commercial ventures that have long been run by charitable and social service organizations. Comments Monsignor Andrew McGowan, vice chairman of the board at Mercy Hospital in Scranton, Pa., and a representative of the American Hospital Association, "Any drastic changes in the tax law that would adversely affect hospitals' ability to raise revenues through all legitimate means could have serious implications for the future health care of our nation." —*Susie Stephenson*

Dade County salads are placed on plates with logos. There will be more emphasis on creative packaging.

DANNON
DANNON
DANNON
DANNON
DANNON FRESH FLAVORS
Coffee
LOWFAT

AT THEY WANT.

avors). From little 4.4 oz. mini-packs, which can be included on
n airplane lunch tray, to quart-sized plain lowfat and non-fat
ogurt, a favorite recipe ingredient as well as salad bar item.
Now that you know all this, it ought to be a cinch to keep the
ustomers satisfied. DANNON **DANNON IS YOGURT.**

For information circle 73

400: COMPANY INDEX

Organization	1987 "400" Rank
A&W Restaurants Inc.	117
Acapulco Restaurants (see Restaurant Associates Industries Inc.)	
The Acapulco Bar (see McFaddin Ventures)	
Adam's Mark Hotels	296
Adventist Health System	186
AIFAM Enterprises Inc.	361
AIRCOA	188
Allen & O'Hara Inc.	390
American Restaurant Group Inc.	40
American Medical International Inc.	255
Amerinet/Valuefood Div.	127
Amfac Resorts Inc.	288
AMTRAK	282
Applebee's (see W.R. Grace Restaurant Group)	
ARA Services Inc.	7
Arby's Inc.	20
Arctic Division of Quaker State	314
Army & Air Force Exchange Service	37
Arthur Treacher's Inc.	379
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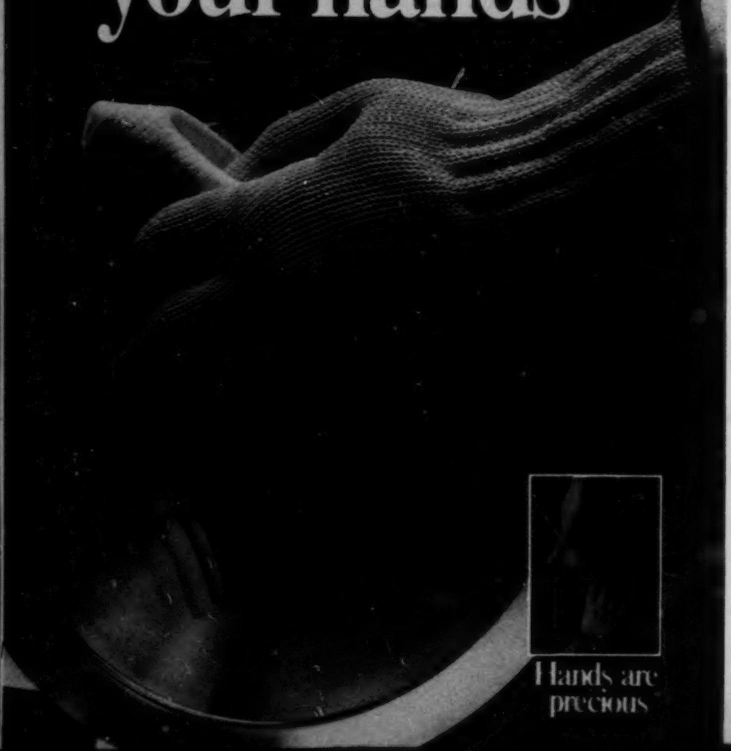

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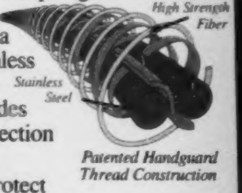

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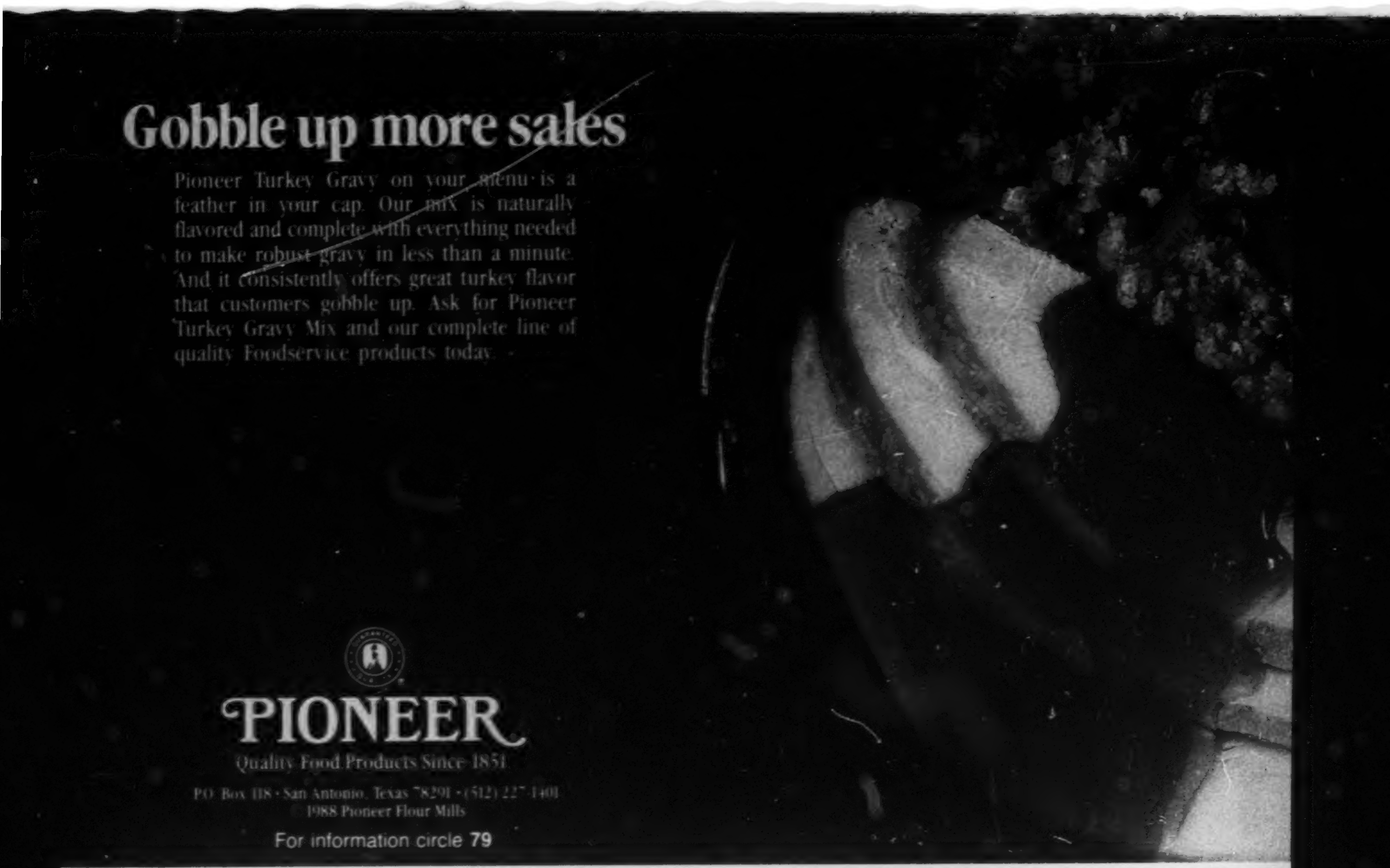

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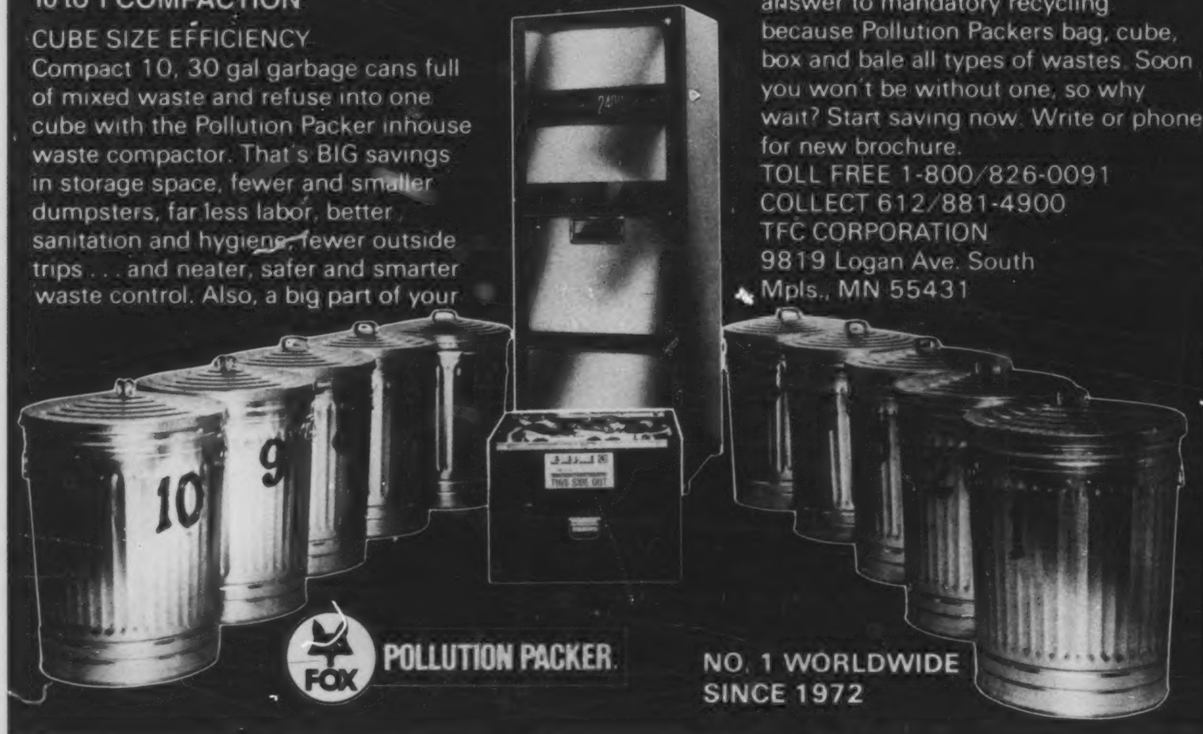

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Part II: Menu Concepts

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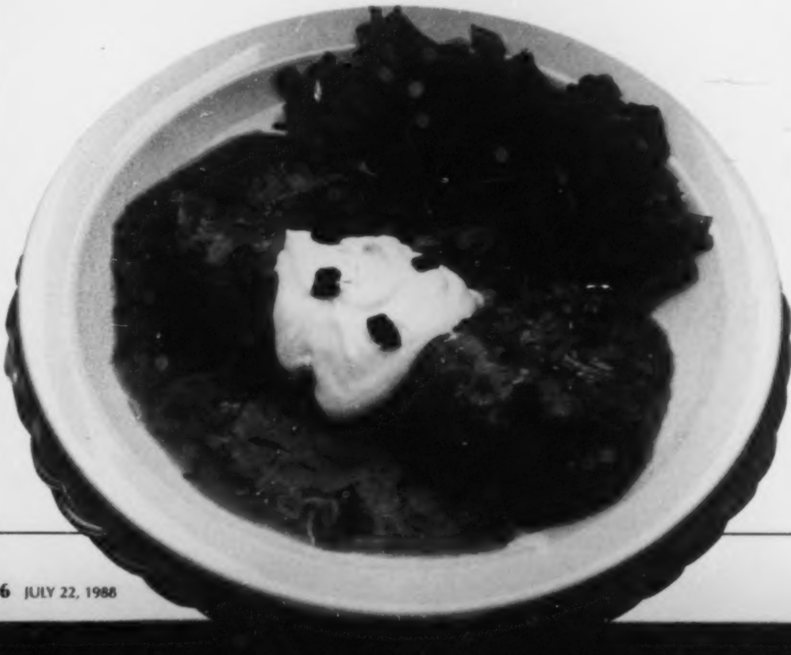

REACHING OUT

Everybody's doing it: Looking at the competition and coming away with a handful of hot menu ideas.

When Wendy's announced plans to transform its Garden Spot salad bar into a hot-food bar, the industry reacted with disbelief. Fast-food watchers agreed that the big hamburger chain was seriously compromising its identity within the segment.

A restaurant stock analyst, however, points out that Wendy's was simply following a trend. "McDonald's has salads. Burger King serves breakfast," says Jay Fairfield of A.G. Edwards, St. Louis. "There's really no such thing as a true burger chain anymore."

The trend toward menu diversification pops up in nearly every segment profiled in this year's "400" menu analysis. And all the new products originated on somebody else's menu—all except one. Packaged salads, far and away the new product of the year, were created by the fast-food industry to cut labor costs, eliminate sanitation dangers and accommodate drive-thru patrons, who account for more than half of industry sales.

All the product-swapping going on is taking place in the name of competition, as companies fight for a share of food dollars, rather than for distinct demographic patron groups. Steakhouses such as Sizzler, Bonanza and Ponderosa adapted all-you-can-eat food bars from cafeterias, buffets and B&I operations, their partners in the budget-meal category. Wendy's and Rax, fast-food chains that found themselves in need of new customers, picked up food bars from steakhouses.

Full-service chains are picking up ideas from their independently owned competitors. Bennigan's, for instance, offered several short-term menus featuring foods from Australia, the Orient and rural America. T.G.I. Friday's menu of appetizer-sized foods emulates the bistro, a concept popular among independent restaurants.

Institutional operators contribute to segment confusion by creating concepts that pick up the menu and feel of commercial restaurants. The Army & Air Force Exchange Service developed Anthony's Pizza as a package for Army and Air Force bases. Gretel's Bake Shop, an ARA invention, sells cookies, sticky buns and cinnamon rolls at ARA client locations.

Bennigan's Country Cooking, one of its short-term promos

RESTAURANTS & INSTITUTIONS

Packaged salads are quickly becoming a staple on fast-food menus.

400: OVERVIEW

Casual-dining chains derive menu inspiration from their independently owned competitors.

Not satisfied with a simple new menu addition, several companies are developing and expanding new concepts. Winners Corp. opened the first Mrs. Winner's Southern Cafe last year in hopes of drawing customers who want to sit down for a country-style meal. USACafes continues to sign franchisees for Ribby's, its drive-thru, walk-up, takeout rib restaurant. Jerrico, after opening four Florenz full-service Italian restaurants, is tinkering with a quick-service Italian concept. Arby's addition of a dessert kiosk led to a franchise agreement with the cookie manufacturer, giving the sandwich chain a way to expand in a non-competing segment.

Companies also are tailoring menus to fit available real estate. A Chi-Chi's franchisee developed Chi-Chi's el Pronto, a mall-sized, quick-service version of the Mexican dinner house chain. York's, the General Mills-owned steakhouse chain situated mainly in food courts, has added a food bar to appeal to shopping mall customers.

Several companies, of course, are neither borrowers nor lenders. In the face of two-for-one discounts, pizza companies are busy making their star product competitive. Domino's, Pizza Hut and Godfather's are working on the basics —new dough and new toppings. On the flip side, few chains have tried to add pizza to their menus, despite the product's proven popularity. Even though non-seafood chains are adding fish to menus, they are not experimenting with new and unusual species, as are seafood-segment leaders.

And a few operators have simply decided against menu additions. Grandy's looked at the wealth of small chicken sandwiches on the market and said, "No way." Steak & Ale learned just how loyal its customer base is after they began disappearing with the advent of a "lighter" menu. "The Legend in Steak" campaign is designed to bring those customers back. Stuart Anderson's is eschewing salad bars and non-beef products for a similar back-to-basics approach. Adventist hospitals resist the temptation to copy dining-out trends and continue to urge patients to try vegetarian fare.

One final note before sampling the food of the "400": We've changed "Theme Dining" to "Casual Dining," acting on the theory that restaurants and their patrons have outgrown theme restaurants. A few companies have jumped segments: Stuart Anderson's, due to its strong emphasis on beef, has moved from the dinner house category to steak/barbecue. Walt Disney Co. has moved from recreation to family dining, which better reflects the company's marketing. ***—Lisa Bertagnoli***

GUIDE TO
THE *R&I* '400,' PART II

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Customers can create their own salads—and even a full meal—at the food bars that proliferated in both fast-food and full-service chains during 1987.

400: BURGERS

WHERE'S THE BEEF?

With burger lineups solidly in place, hamburger chains feel free to play menu games on the periphery.

These days, burgers are not big news on burger-chain menu boards. Customers know about Big Macs, Whoppers and Big Classics, and generally have their favorites. Sensing this, burger chains are using salads, desserts and snacks to draw new customers during different dayparts.

Packaged salads are by far the biggest news this year. Several chains, including Hardee's and Jack In The Box, offered pre-made salads before McDonald's. But when Mac went light, packaged salads won a permanent place in America's food-away-from-home diet. Chefs, garden, shrimp and side salads, complete with croutons and dressing, cater to drive-thru customers, who account for about 60% of fast-food business.

Desserts appeared on the other end of the menu spectrum. Hardee's now offers soft-serve ice cream, a product driven by consumer demand, the chain says. Carl's Jr. is testing ice cream carts and a sundae bar. The Sonic Blast, a mix-in ice cream treat, capitalizes on the sensation caused by International Dairy Queen's Blizzard.

Savory snacks as well as sweets are cropping up on burger menus. Jack In The Box has Finger Foods. Hardee's has Chicken Stix. Mini hamburgers at Wendy's and Burger Bundles at Burger King give customers reason to stop in for a snack.

Promotional items attract new customers and provide regulars with a change of pace. McDonald's Cheddar Melt, offered for six weeks last winter, performed well, although not good enough to win a spot on the permanent menu, executives say. Burger King's Bullseye Barbecue Burger served the same purpose at that chain, and remains a promotional sandwich.

This year will prove a year of hamburger-chain milestones. McDonald's opened unit No. 10,000 in Dale City, Va., the first week in April, and will open its first restaurant in Moscow by the middle of 1989. Hardee's opened unit No. 3,000 in Augusta, Ga. Druther's celebrates its 25th anniversary this summer. Wendy's rebounded from past financial troubles. And Carl's Jr., Krystal and Sonic completed back-to-basis programs.

Wendy's SuperBar draws new lunch and dinner customers.

400: BURGERS

McDonald's won't rest on a bed of lettuce: McPizza, biscuit varieties remain in test.

LEADING BURGER COMPANIES

1 McDONALD'S CORP. (1)
Sales: $14,330.4MM Units: 9,159

2 BURGER KING
Pillsbury (3)
Sales: $5,000MM Units: 7,339

3 WENDY'S INTERNATIONAL (7)
Sales: $2,870MM Units: 3,816

4 HARDEE'S
Imasco USA (8)
Sales: $2,431.2MM* Units: 2,959

5 JACK IN THE BOX
Foodmaker (34)
Sales: $655MM Units: 897

6 CARL'S JR.
Carl Karcher Enterprises (54)
Sales: $343.6MM Units: 444

7 SONIC RESTAURANTS (58)
Sales: $315MM Units: 953

8 WHITE CASTLE SYSTEM INC. (67)
Sales: $282.6MM Units: 236

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Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.

McDONALD'S CORP. $14,330.4MM

When McDonald's hits, it hits big. The chain tested packaged salads for a number of years, then, at the 1987 shareholders' meeting, introduced them to the nation with a full-blown ad campaign. The chain now uses five million pounds of lettuce each week in preparation of its garden, side, chef's and (in some markets) shrimp salads.

The burger giant will continue slowly developing and testing new products, executives said at McDonald's annual meeting, held in May. "We are a limited-menu restaurant," stressed Edward H. Rensi, chief operating officer and president of McDonald's U.S.A. Steak biscuits and sausage biscuits are in limited test in several southern restaurants. The chain also continues to test McPizza. "There is a huge market for pizza, and we will get some of it," said Mike Quinlan, president and chief executive of the 10,000-unit chain.

McDonald's continues to open locations in non-traditional sites. The chain has signed agreements for restaurants in Sears stores in White Plains and Hicksville, N.Y., and has contracts to open restaurants in the San Jose, Calif., Newark and Phoenix airports.

BURGER KING $5,000MM

This past year, Burger King seemed to belong to the "now you see it, now you don't" school of menu merchandising. Of the three items that made appearances last year, breakfast bagel sandwiches were the only item that gained a spot on the menu.

Burger Bundles, one of the many snack-sized items to join fast-food menus last year, were introduced and pulled not once, but twice. The two-ounce burgers, sold in packs of three and six, were granted optional menu-item status. A company spokesman said Burger Bundles may join the permanent menu this year.

Spooners, a dairy dessert whipped with strawberries or cookies, was introduced as a promotional item last summer. It remains a promotional item, says the spokesman.

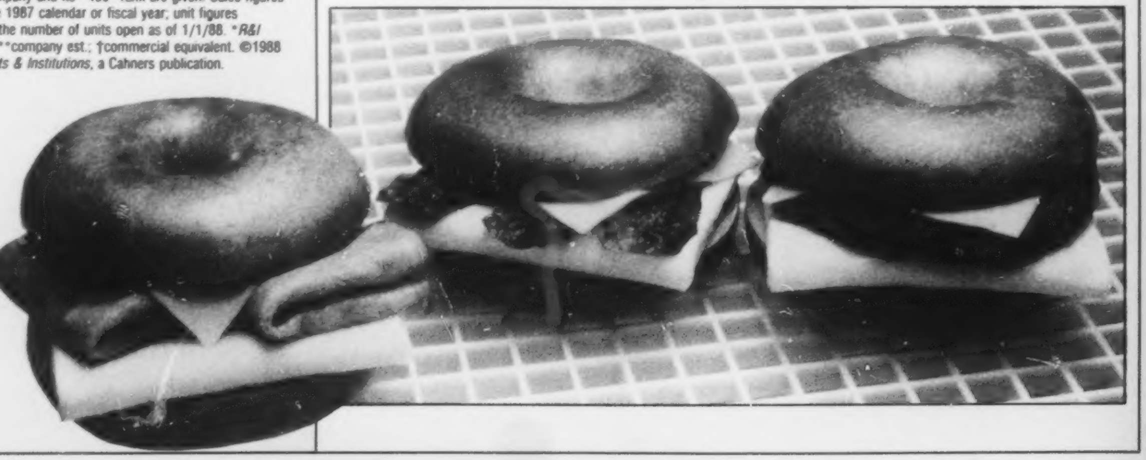
Burger King also toyed with a few regional menu items. Bullseye Barbecue Burgers were available in the Midwest, and chili burgers topped with a local brand of chili were offered in the South. The newest regional product, The Big Cheese double cheeseburger, is being offered in the San Francisco area.

WENDY'S INTERNATIONAL $2,870MM

Wendy's continues to roll out the SuperBar, one of the most-talked about and controversial ventures in recent burger history. The bar, an expansion of the Garden Spot salad bar, offers ingredients and accompaniments for salads, pasta dinners and tacos.

continued on page 36

Burger King's Breakfast Bagels joined the permanent menu.



400: BURGERS

LEADING BURGER COMPANIES

9 WHATABURGER INC. (73)
Sales: $265MM Units: 392**

10 THE KRYSTAL CO. (101)
Sales: $184MM Units: 243

11 FUDDRUCKERS (138)
Sales: $130MM Units: 113

12 DRUTHER'S INTERNATIONAL (172)
Sales: $96.2MM Units: 162

13 RED ROBIN INTERNATIONAL (190)
Sales: $85MM Units: 47

14 STEAK N SHAKE (169)
Consolidated Products Inc.
Sales: $76.6MM Units: 106

15 HAMBURGER HAMLETS (285)
Sales: $48MM Units: 24**

16 ARCTIC CIRCLE
Quaker State (314)
Sales: $42MM Units 105

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Chicken snacks and sandwiches, desserts and salads complement basic burger menus.

continued from page 32

What Wendy's will do with the SuperBar remains to be seen. Denny Lynch, vice president of corporate communications, says the bar has potential for use during other dayparts.

Wendy's is making something of a breakfast comeback with breakfast sandwiches. Egg and cheese, sausage and bacon will be offered on a buttermilk biscuit or toasted English muffin, Lynch says.

Wendy's still depends on burgers for the bulk of sales. The burger lineup now includes the Big Classic, the single and, two-ounce cheeseburgers and hamburgers, introduced in the spring of 1987. The small burgers, which sell for 69 cents, are in all company-owned stores and are a menu option for franchisees. Television ads call the burgers "The Best in the Business."

HARDEE'S $2,431.2MM*

Hardee's introduced vanilla and chocolate soft-serve ice cream and packaged garden, side, seafood and chef's salads last year. In March, the chain rolled out Chicken Stix, a product that had been in test for a year. The white meat strips are sold six and nine to a pack, and come with the customer's choice of four sauces.

Like its competitors, Hardee's has offered limited-time products. In September and October, the chain promoted Specialty Supreme sandwiches, which are served on a whole-grain bun. In January and February, quarter-pound hamburgers were offered with Mexican, American or Italian fixings for an International Toppings promotions. "They did a good job bringing in trial customers," says Gary Langstaff, executive vice president of advertising.

Hardee's plans to hold new-product introduction to a minimum this year, Langstaff says. "We think our current product line does a good job of satisfying our customers," he says. The chain also will reduce the number of deals and coupons it offers. The percentage of sales stemming from discounts has already been cut in half, he says.

JACK IN THE BOX $655MM

Jack In The Box, with its revolving-door menu policy, sets the record for menu introductions. During 1987, the

Burger chains' lighter side: Chicken Fajita Pitas (above) are a variation on Jack In The Box's successful Fajita Pitas. Fuddruckers added a grilled fish sandwich to broaden the concept's appeal.

West Coast chain introduced the Ultimate Cheeseburger, which now accounts for 9% of sales; the Fajita Pita, which accounts for 11% of sales and is the most successful rollout in company history; egg roll, shrimp and chicken Finger Foods; and the Hot Club Supreme.

This year could be The Year of The Chicken for Jack In The Box. The chain introduced the Chicken Fajita Pita in March. Grilled chicken and chicken tacos are in test in San Diego, the chain's home turf. Also in test is a second generation of a breakfast fajita. The first, filled with scrambled eggs and fajita meat, proved too spicy for Jack In The Box customers, however adventurous they may be.

The chain sets a goal of at least two new-product introductions a year. New-product training is down to a science: Laser videos produced in-house take employees through each step of preparation and serving. Promotions are purely product-driven. "Our best-seller is the item we're promoting," says a company spokesman.

CARL'S JR. $343.6MM

Its back-to-basics program complete, the West Coast burger chain is starting to slowly add to the menu board. Chicken Club and Country Fried Steak sandwiches came on board last year, as did a self-service beverage bar. The chain developed a low-cholesterol Chicken BBQ Sandwich and received approval for it from the American Heart Association.

The chain is testing the idea of even more self service with a sundae bar at its flagship store in Anaheim, Calif. Ice cream carts, offering pastries, brownies and ice cream pies, are in test in several restaurants. A few Carl's Jr. restaurants offer customers Pay Plus, with which they can pay for meals with automatic teller machine cards.

SONIC RESTAURANTS $315MM

Now that Sonic's two-year menu streamlining project is complete, the chain is beginning to experiment again, says Vern Stewart, chief operating officer. Last year, the company rolled out Sonic Blast, a soft-serve ice cream concoction with candy and cookies mixed in. The product, which Sonic files under the snack category, accounts for about 10% of sales, Stewart says.

The chain is also repositioning its double-meat, double-cheese hamburger as a combo meal. Big Topper, as it is called, comes with a side order and drink, and is promoted with 1950s-flavored ads, featuring Big Bopper songs. The six-item burger menu, which includes a jalapeño burger in some markets and a hickory-sauced burger in others, accounts for 25% to 30% of sales.

Although Sonic is testing a grilled chicken sandwich in Austin, Texas, Stewart says he does not know whether it will gain a spot on the menu. "We're not sure there's a market for it with our existing customers," he explains.

FUDDRUCKERS $130MM

With the financial troubles of the mid-1980s behind them, Fuddruckers executives are planning the gourmet burger chain's marketing plan for the 1990s.

All company-owned restaurants will be converted to "The Next Generation," a new design that is the basis of the marketing plan. Interiors are divided into small, bright dining rooms dressed in primary colors, a look that dispels the cavernous feeling of the old Fuddruckers. The design better merchandises Fuddruckers' signature burger-toppings bar and bakeshop, which has been renamed Blue Ribbon Bakery.

New products—fajitas and a grilled fish sandwich, chips and salsa, and nachos—give the menu more of a family-restaurant feel, executives say, and attract older customers. The chain is using the bakery to add breakfast: Some restaurants offer coffee and sweet rolls for takeout, and at least one is delivering cinnamon rolls to area office buildings. *—Lisa Bertagnoli*

[illegible]

400: SANDWICHES

ANYWAY YOU SLICE IT

Spreading the news: new products, promos, markets, meal occasions, decor and—surprise!—service.

There is a lot going on between the bread these days, and the optimism that fills the sandwich chains is easy to justify: Customer traffic in this segment increased 7% in 1987 (according to Park Ridge, Ill.-based GDR/CREST Enterprises), 1% more than hamburger chain traffic and 2% more than the traffic average in all quick-service restaurants. This increase was not served to sandwich chains on a silver platter. They worked hard for it, developing—despite their diversity—some of the same menu and marketing strategies.

Bold identities—often emphasized by strong marketing statements and advertising campaigns—characterize the most successful chains. Personality not only distinguishes sandwich chains from burger chains but from each other.

New 1987-88 products, monitored in test markets before going systemwide, have been more than sandwiches. And while nutritionally high-profile white meat ranks high in new menu items, beef has gotten beefier, subs meatier. Side salads—vendable in drive-thrus—have vied for customer counts with salad bars that have been expanded into food bars, outfitted to suit the seasons. Cookies and breakfast pastries were a sweet move in on snack and breakfast meal occasions.

Decor—new unit designs and aggressive remodeling of older units—runs more than skin deep. It extends to exteriors and parking lots. Chain marketing executives correctly correlate slipshod facilities with customers' perception of a chain that is cutting quality corners.

Service is the revolution of the year. Even the fastest fast-food sandwich chains are putting emphasis there. Store managers are working the front of the house, and the training programs aim at a warm welcome and customer recognition. Many chain customers are local, and chains work for repeat business by coming as close as they can to full service in the way they greet and treat their patrons.

The quiet revolution is in nutrition: Sandwich chains speak softly, rarely advertising their instore nutrition campaigns. (Both Rax and

continued on page 46

Fee, fie, fo, fum: Arby's 5-ounce Giant beefs up sales.

400: SANDWICHES

LEADING SANDWICH CHAINS

1 ARBY'S INC. (20)
Sales: $980MM Units: 1,973

2 RAX RESTAURANTS INC. (51)
Sales: $358.3MM Units: 529

3 SUBWAY
Doctors Associates Inc. (71)
Sales: $272MM Units: 1,815**

4 ROY ROGERS
Marriott Corp. (4)
Sales: $212MM Units: 556

5 A&W RESTAURANTS INC. (117)
Sales: $154MM Units: 531

6 WIENERSCHNITZEL
Galardi Group (142)
Sales: $125MM Units: 340

7 INTERNATIONAL BLIMPIE
Astor Restaurant Group Inc. (166)
Sales: $101.8MM Units: 300**

8 CAROUSEL SNACK BARS (280)
Sales: $50MM Units: 330**

They've got personality! Sandwich chains create distinctive market identities.

continued from page 43

Arby's have American Heart Association-approved menu items, and Arby's has nutrition brochures available.)

And the best-run franchisors know how to listen—to their franchisees. Participation, the rule of thumb for 1987 that resulted in several new product introductions, will be the order of the day in 1988.

ARBY'S INC. $980MM

During the past three years, Arby's has kept its focus on beef. At the same time, the chain's stance as "The alternative to the burger" allows Arby's to introduce additional chicken items, says Ira Hermann, executive vice president and chief operating officer. New in '87 was the Roast Chicken Club, and driving sales in the first quarter of '88 as high as 50% to 60% in some markets was the new Chicken Cordon Bleu. The hottest-selling item still is the new 5-ounce Giant, which helps keep the beef menu mix at highest percent of sales.

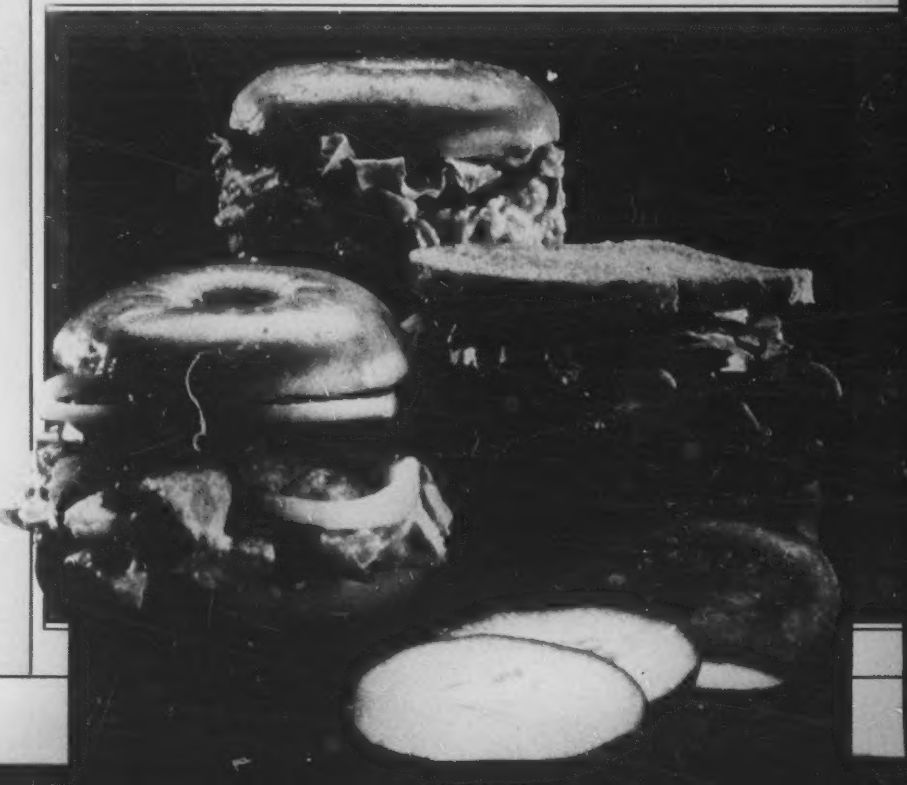
Arby's got out of salad bars because of high food costs and labor costs, but successfully sells prepared salads both in-store and from the drive-thru window. New is chef's and the side salad; newest is Cashew Chicken.

Next to the 24-hour toll-free customer complaint hotline, the hottest news is in-store Flour Pot cookie kiosks selling gourmet brownies, cookies, ice cream and muffins, moving Arby's into the breakfast and snack markets.

Arby's now has a joint venture with Flour Pot to franchise nationally. Although Arby's never positioned itself as healthful food, Hermann says the involvement has always been there: Its roast beef is 10% to 12% fat, the company is testing cholesterol-minimizing oils and beefing up programs such as in-store nutrition brochures. Arby's new Series 2000 design is cost-efficient, bright and open. Customer service, says Hermann, is the chain's biggest commitment right now, underscored by 38 regional training restaurants.

RAX RESTAURANTS INC. $358.3MM

The new company slogan, "Fast Food with Style," helps identify Rax to a target market of 22- to 45 year-old



customers, while maintaining historical appeal to adults over 50, says J. Pat Ross, director and chief executive officer. The salad bar, the largest-selling single item inside the store, has evolved into its fourth phase, the seasonally changing lunch and dinner food bars. Ross says in-store food bar sales run 25% to 30%, while roast beef sandwich sales are at 30% (including drive-thru sales). A popular new food bar addition is the sandwich bar, with small bagels, rye bread slices and sandwich fixings. New in '88 is the Chicken Sandwich.

ROY ROGERS $212MM

The fastest burger on wheels is probably Roy Rogers' new ExpressBurger. Three models—plain, with cheese, with bacon and cheese—all come fully equipped with lettuce, tomato, ketchup, pickle, onion and mayonnaise. Intro promo featured an owner's manual describing features of each model, such as High Resolution Buns, Turbo-Charging Tomatoes and Onion Overdrive. At Roy Rogers, good new products come in threes: Cinnamon, Apple and Cheese Swirls are making breakfast news in Southern and Mid-Atlantic markets.

INTERNATIONAL BLIMPIE $101.8**

Surfacing as "America's Best-Dressed Sandwich," the nutritional alternative to fried food, this 24-year-old submarine sandwich chain markets its speed of service. The fresh-sliced deli selections are made to order before customers' very eyes—fast: one to three minutes maximum, from order to pay, says Brandon Steiner, marketing director for parent company Astor Group. Newest menu news in '87 was salad line, packaged, standardized and upgraded: Seafood, Taco Blitz, Chicken and Chef's. New for fall will be a soup program and mascot's Blimpie Bear namesake Chocolate Chip Cookies.

OLGA'S KITCHEN INC. $36MM

When is a sandwich not a sandwich? When it's an Olga. Round, secret-recipe bread wraps around 18 different meat and non-meat fillings. Seafood, cheese and vegetable Olgas are good sellers in new Southern California market, says Ron Crews, vice president of marketing, but customers at home in Troy, Mich., are still loyal to the original Olga (sliced beef and lamb, tomato and onion).

New menu design features color food photos that highlight new items—Steak and Chicken Fajita Olga, Fresh Fries and Fro[illegible] Olgurt (both trademarks) and O[illegible] Cream Cooler.

–Nancy Ross Ryan

LEADING SANDWICH CHAINS

9 TOGO'S EATERY
MTC Management Inc. (287)
Sales: $48MM Unit: 112

10 MAID-RITE PRODUCTS INC. (291)
Sales: $47MM Units: 131

11 SCHLOTZSKY'S INC. (294)
Sales: $46.4MM Units: 214

12 JACK'S FOOD SYSTEMS INC. (302)
Sales: $45MM Units: 90

13 OLGA'S KITCHEN INC. (347)
Sales: $36MM Units: 38

14 JERRY'S SYSTEMS INC. (373)
Sales: $33MM Units: 179

15 SANDWICH CHEF INC. (381)
Sales: $32MM Units: 179

16 DANVER'S
Shoney's South Inc. (90)
Sales: $4.2MM Units: 8

Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.

400: CHICKEN

WINGING IT

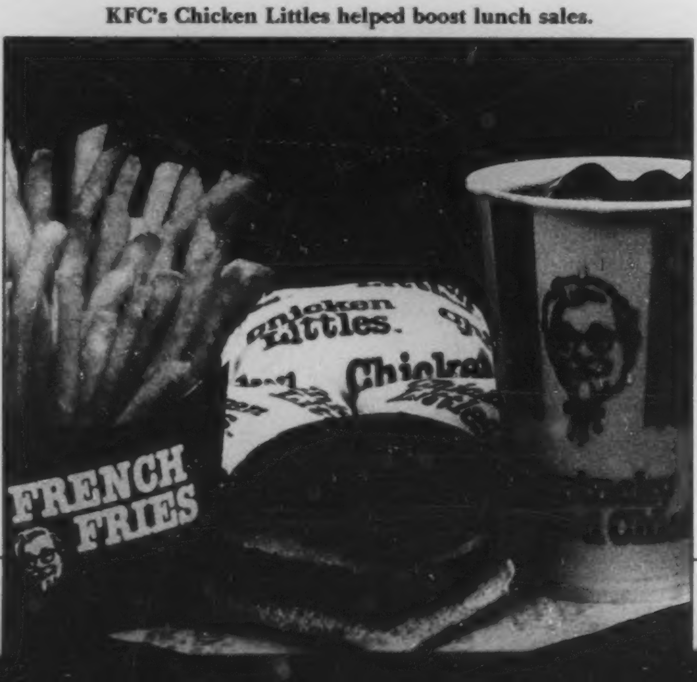
Chicken chains, facing competition from other segments, add to lunch menus to attract new customers.

It was a cautious year for chicken chains. Faced with competition from non-chicken chains adding chicken products, most concentrated on doing the best with the products they had. Since the supply of chicken is abundant and prices are stable, chicken and non-chicken chains alike will continue to find poultry profitable.

The winners this year are those that took the offensive, those that have a long-term marketing plan and a firm idea of their niche and purpose. There were those chains that prospered in 1987. Kentucky Fried Chicken, in particular, experienced impressive growth, while sales increases were more moderate at Popeyes, Chick-fil-A, Grandy's and El Pollo Loco. Pioneer, Bojangles', Sisters, Mrs. Winner's and Church's lost ground, and Brown's and Lee's Famous Recipe Chicken held their own.

The difference between the leader KFC and the other chicken chains is the growth position KFC has taken. The key to KFC's success is a plan that started in 1977 when the chain was having operating problems. Gradually, new management updated training, eliminated unsuccessful products, such as barbecued chicken, and improved others, such as the biscuits. It was also back then that the company decided it needed to build lunch business. After trying a full-sized chicken sandwich, KFC thought small sandwiches a la White Castle burgers might be more successful, and the chain was right. Chicken Littles turned out to be KFC's most successful promotion ever. Popeyes and Bojangles' then followed KFC and added small sandwiches of their own.

KFC's Chicken Littles helped boost lunch sales.



Several chains tried non-fried chicken items. Grandy's added roasted chicken for its health-conscious audience, and KFC expanded testing of its oven-roasted chicken. El Pollo Loco banked on its success with healthful chicken by sticking with the same menu and advertising that its chicken is a "fast-food habit worth having." Only Grandy's has gone to a diversified menu with many non-chicken items (becoming more of a fast-food family restaurant than a chicken chain). Lee's Famous Recipe Chicken, Mrs.

Winner's and Sisters are testing non-chicken items in limited markets.

Some chains reduced or kept the same menu offerings and used promotions and new packaging to encourage new business. Church's went back to basics and simplified its menu. The chain also changed its packaging and spruced up storefronts, as did Atlanta-based Chick-fil-A.

KENTUCKY FRIED CHICKEN $4,100MM

This was the year KFC found a way to be successful at lunch. The company started thinking about building lunch business in the late 1970s, but it took until the early 1980s to begin to explore products that would fit at lunch. A larger sandwich tested early in the decade did not work, but the smaller sandwiches called Chicken Littles, launched in 1987, did. The decision to roll out the mini sandwiches—1-ounce square, breaded chicken patties served on small buns and flavored with the Colonel's 11 secret herbs and spices that sell for 39 cents—came after successful testing in Louisville, Ky.; Dayton, Ohio; Atlanta; Providence, Mass.; San Diego and Seattle.

The introduction of Chicken Littles was intended to bring KFC in closer competition with other sandwich chains whose strength has always been at lunch. "The reason for adding Chicken Littles was to increase lunch sales, attract a younger crowd and step up repeat purchases," says Gregg Reynolds, vice president of public affairs. The sandwiches also encourage sales of highly profitable soft drinks and french fries. However, the sandwiches have required the purchase of new equipment and the addition of four to seven employees per unit.

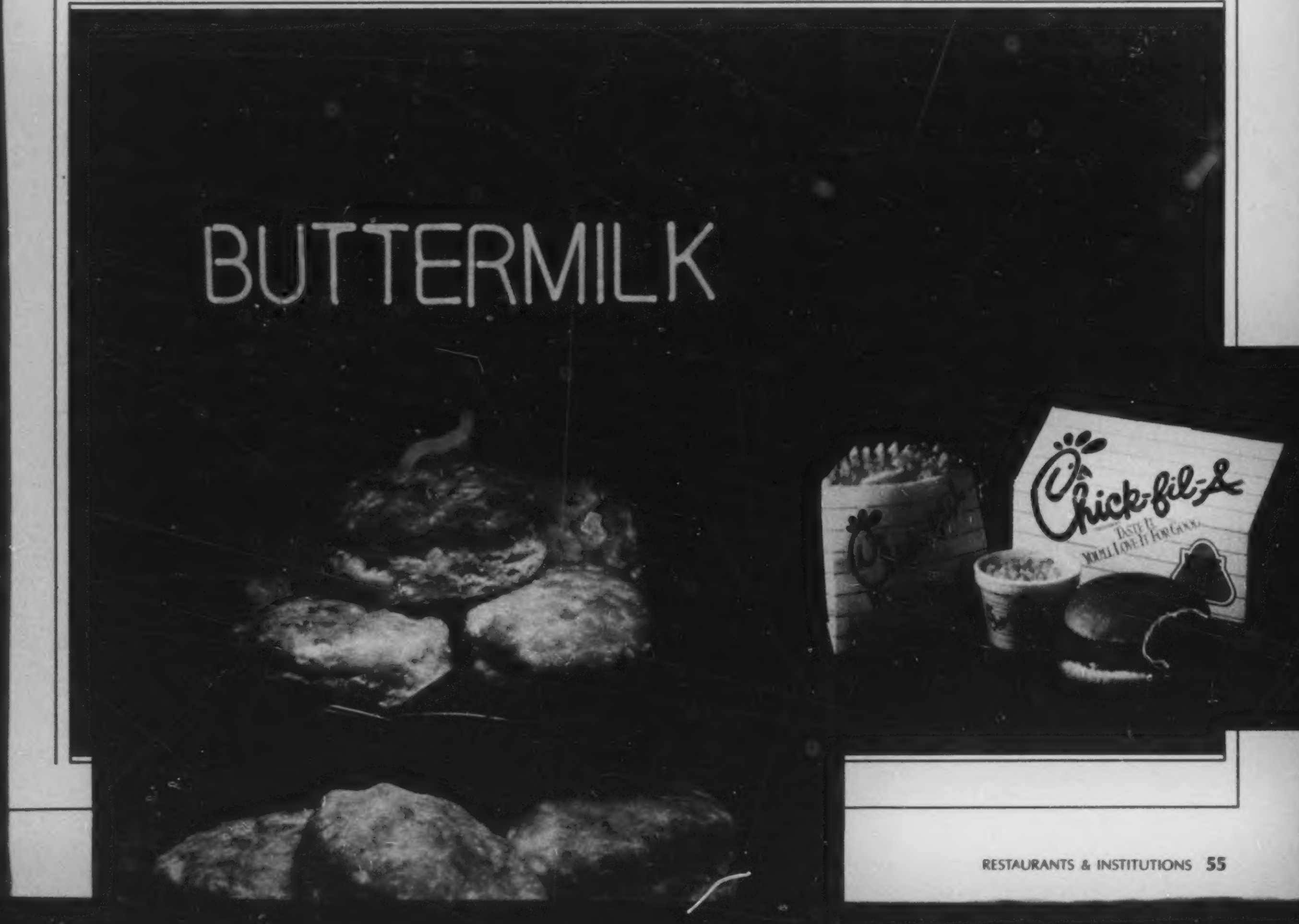
The company has expanded testing of oven-roasted chicken but is not yet ready to roll it out nationally. A char-grilled product is also being tested on a limited basis, as are packaged garden salads.

According to Reynolds, KFC is interested in home delivery and is testing it in Louisville, Ky.; Kansas City, Mo., and Tallahassee, Fla. "In case someone else tries it, we'll be ready to go for it," says Reynolds. KFC also offers off-premises catering as a local option.

CHURCH'S FRIED CHICKEN INC. $533.9MM

Church's came on hard times in 1987, so it pulled back the reins, re-evaluated, and in the chain's own words went "back to basics." The management saw its problem as a "proliferation of products and promotions that slowed service and confused customers and employees." The solution: simplify the menu. First the company took okra, Cajun rice and catfish off the menu. Then the Chicken Big Sandwich was introduced, a 99-cent large sandwich promoted by the Church's Chicken mascot, who was stationed in front of the store sporting a sandwich board. The other new product introduced was a condiment called Spicy Sprinkle, intended to spice up any Church's menu item.

Church's also spent some money re-



400: CHICKEN

LEADING CHICKEN COMPANIES

1 KENTUCKY FRIED CHICKEN
PepsiCo (2)
Sales: $4,100MM Units: 7,522

2 CHURCH'S FRIED CHICKEN (38)
Sales: $533.9MM Units: 1,422

3 POPEYES FAMOUS FRIED CHICKEN
A. Copeland Enterprises (42)
Sales: $482.6MM Units: 710

4 CHICK-FIL-A INC. (94)
Sales: $202.7MM Units: 364

5 GRANDY'S INC.
American Restaurant Group (40)
Sales: $185MM Units: 205

6 LEE'S FAMOUS RECIPE CHICKEN
Shoney's Inc. (17)
Sales: $136.6MM Units: 268

7 BROWN'S CHICKEN
Brown & Portillo Inc. (158)
Sales: $108.1MM* Units: 158

8 PIONEER TAKEOUT CORP. (170)
Sales: $98.2MM* Units: 252

9 MRS. WINNER'S
Winners Corp. (144)
Sales: $89.8MM Units: 145

10 EL POLLO LOCO
Denny's Inc. (13)
Sales: $75.5MM Units: 87

11 BOJANGLES' CHICKEN & BISCUITS
Horn & Hardart Co. (86)
Sales: $55.6MM Units: 71

12 SISTERS RESTAURANTS
Sis Corp. (289)
Sales: $47.9MM Units: 63

13 GOLDEN SKILLET INTL.
International Dairy Queen (9)
Sales: $30MM Units: 100

Mini sandwiches, broiled and roasted chicken items, and non-chicken offerings boost sales.

modeling its exteriors and redesigning its packaging. To give the company a fresher image, the word "fried" was taken out of the signs. New Church's stores will be small and equipped with drive-thru windows to appeal to value-minded customers. Another variation of the Chicken Big Sandwich is planned for 1988.

POPEYES FAMOUS FRIED CHICKEN $482.6MM

The chain known for spicy chicken continued its steady growth by paying attention. After KFC's successful rollout of small sandwiches, Popeyes accelerated its development of small sandwiches and quietly rolled them out in company restaurants in the New Orleans area. Little Chickadees are Cajun-spiced, 1-ounce square chicken patties served on toasted buns with a mayonnaise-based dressing and pickles. The company had to install new rotary toasters and increase the labor force in order to add the sandwiches.

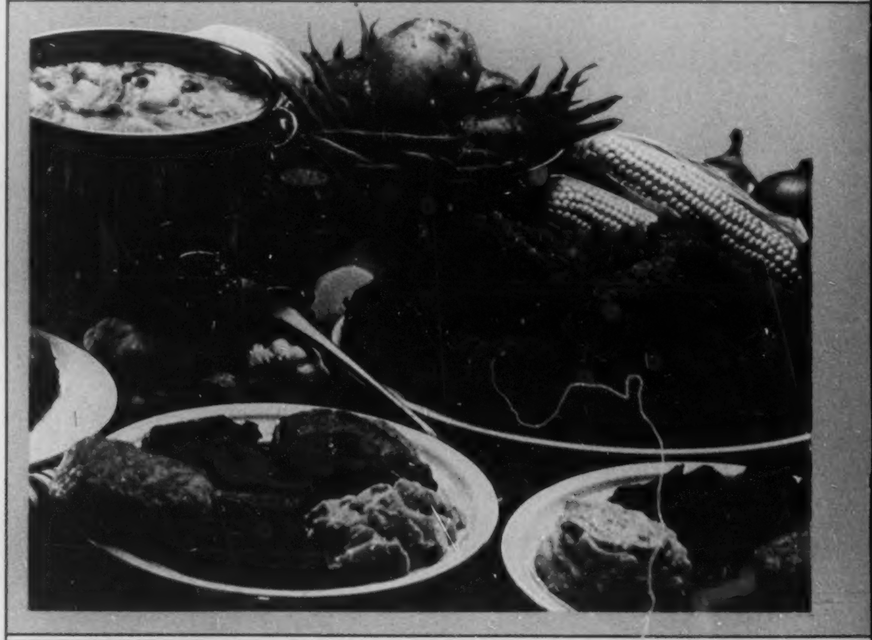
Little Chickadees, however, never made it to national rollout since management felt the product was draining sales of other products, but they did bring in what Chairman and President Al Copeland calls "the kid market."

Popeyes also tested home-delivery service in Houston, Dallas and other cities in Texas, but abandoned the project after 18 months. The company has left open the possibility of resuming home delivery if and when the time seems appropriate.

The newest systemwide product rollout was Spanish rice, a product for which Popeyes obtained American Heart Association approval.

GRANDY'S INC. $185MM

Grandy's has not just added new chicken products to its menu, it now has a whole new line of steaks and ribs and has added the breakfast meal. "I guess we're no longer just a chicken chain, although more than 50% of our business is in chicken," says Bob Lee, vice president of marketing. "We're more like a family fast-food chain now."



Nevertheless, chicken is still the primary menu item, and the company considers chicken chains its primary competition. Roasted chicken was added in 1987 for health-conscious patrons. It was not as successful as the company thought it would be, except in the Fort Meyers, Fla., and Fresno, Calif., markets. However, there are no plans to pull roasted chicken because Grandy's believes the product does appeal to a certain clientele and the chain would lose too much business if it were dropped.

Fried-chicken sandwiches and country-fried steak were tested in 1987 and will be rolled out in company stores in the summer of 1988. The sandwiches will be optional items in franchise stores systemwide. Lee explains that lunch was the only niche Grandy's did not fill, and sandwiches are an attempt to tap this market.

MRS. WINNER'S $89.8MM

Diversification is the word that describes Mrs. Winner's strategy in 1987. In an effort to reposition the concept and reduce the dominance of chicken on its menu, the company added a series of home-style entrees called "Southern Originals"—pot roast, meat loaf, fried fish and shrimp Creole—to its basic menu fare of fried chicken and biscuits. This line was added to replace its sandwich and salad menu line.

The Southern-inspired line of food items are similar to the specialties developed for the company's recently spun-off concept called Mrs. Winner's Southern Cafe. The new limited-service restaurants will feature an array of batch-cooked regional entrees and vegetables and a few daily specials.

The company plans to convert six of its units into Southern Cafes in an effort to offset profit-draining performance of its 59 franchised Wendy's units.

SISTERS RESTAURANTS $47.9MM

Sisters was one of the few chicken chains adding non-fried chicken products in 1987. The chain added a grilled chicken sandwich for $1.89-$2.69 and chicken fajitas for $2.89. The company is testing hamburgers in six stores in Toledo, an attempt to compete with burger chains. The burgers accounted for 6% of sales without advertising.

A Country Bar, similar to Wendy's SuperBar, is an expansion of the salad bar. It will include creamed chicken and gravy, seven side dishes, and several Italian and Mexican selections. The bar is being tested in two stores.

GOLDEN SKILLET INTL. $30MM

This regional chain, a division of International Dairy Queen, attempted to enhance its lunch menu in 1987. A large chicken sandwich, called the Big Skillet, was already a successful item on the menu. A chicken club with bacon, lettuce and tomato, called the Big Skillet Club, was a logical addition. Another sandwich, chicken with cheese, is in the plans for 1988. Chicken Fried Steak, a departure from the chain's menu, was also introduced in 1987.

Golden Skillet decided not to join the miniature sandwich craze. "It doesn't support consumer buying patterns and does not contribute to profitablity," says Charles Cocotas, executive vice president. He says Golden Skillet's primary customer wants a full dinner to take home.

Roy Clark is the chain's spokesman and spreads Golden Skillet's message through the airwaves with the "Golden Skillet Chicken, the chicken that picky chicken pickers pick" slogan.

An off-premises catering program is available for franchisees who want it. The individual franchisees generate business by advertising in the yellow pages under catering and by selling their services to local community organizations. *—Nancy Backas*

Grandy's Southern Originals line of food items includes pot roast, meat loaf and shrimp Creole (far l.). Golden Skillet's success with the Big Skillet sandwich (l.) inspired the Big Skillet Club spinoff for 1987 and another chicken with cheese sandwich for 1988 rollout.

400: MEXICAN

BORDER PATROL

Variations on fajitas, enchiladas, quesadillas and desserts give loyal customers a taste of something new.

The country is fajita-mad. Virtually every Mexican chain from Taco Bell to Pancho's Mexican Buffets has slotted the sizzling, eye-appealing product into the menu mix. In most cases, steak fajitas outdistance all other offerings at the cash register. Next year, beef will compete head-on with chicken fajitas on most Mexican chain menus.

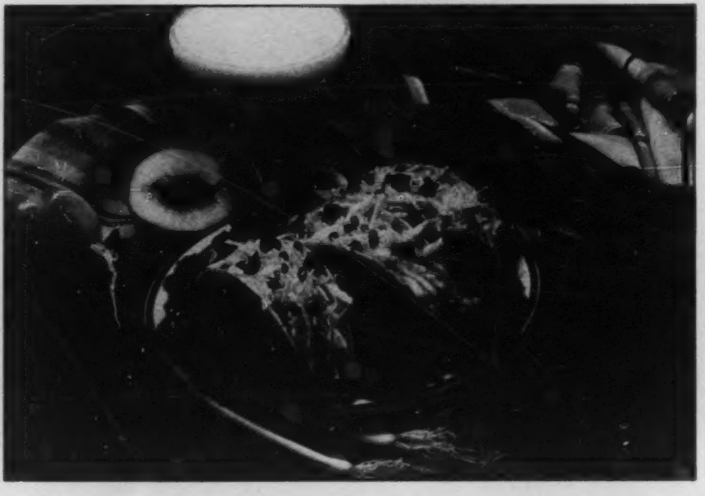
Combinations, too, continue to crop up on Mexican menus. Chi-Chi's, for instance, already promotes a deluxe steak, chicken, pork and shrimp Chajita. Taco Time has created a chicken fajita burrito, a flour tortilla filled with sautéed white meat, fresh vegetables, Cheddar cheese and lettuce. Taco Bueno probably has come up with the most original new fajita idea of the year: chicken fajita nachos. It may only be a matter of time before someone creates a lobster or vegetable variation.

While fajitas continue to dominate, they do not lead the popularity poll at all chains. Taco John has yet to put them on the menu. Enchilada dinners still sell better at El Chico. Taco Time swears by its Crisp Taco, while both Taco Villa and Taco Tico insist the taco is No. 1 at their restaurants.

Mexican buffets, such as Pancho's 20-item spread, continue to pack in customers. Chi-Chi's reports that its luncheon buffets have increased sales 10% to 20% in test units.

But executives at Garcia's say they think Mexican food does not hold well on a buffet line. Garcia's 22 new menu items are primarily new presentations and variations of existing products. Grilled steak strips (used for fajitas) are wrapped in a soft burrito, and a chimichanga is deep-fried.

Chi-Chi's experimental lunch buffet features tacos.



Margaritas play a pivotal role in the Mexican food experience. Garcia's upscale Royale, made with premium tequila, is a top seller. Both Garcia's and Chi-Chi's plan to extend their Margarita lines, the latter with such flavors as cranberry, peach and raspberry. El Chico reduced the serving size and price and is selling more Margaritas.

Fried ice cream leads the dessert list. And most Mexican operators are looking to expand dessert lines.

RESTAURANTS & INSTITUTIONS

TACO BELL $1,500MM

New grill-equipped kitchens will make additions to the fajita line easier: Chicken fajitas will roll out systemwide in August. Taco Bell also is testing Meximelt, a flour tortilla filled with ground beef, cheese and tomato, and a finger-food line that is expected to increase the chain's expanding takeout and drive-thru business. A Soft Taco and Soft Taco Supreme also have been added to the menu.

The most significant move this year is the establishment of the "Gold Standard '88" program, a restructuring of the management system to bring the menu decision-making process down to the customer level.

CHI-CHI'S $270MM

Chi-Chi's has emerged from the "chopped and rolled" tradition of Mexican cuisine, according to Mike Fiori, executive vice president of operations. The company, which had no menu introductions from 1977 to 1984, has been adding one or two items a year since as either brand-new introductions or extensions of existing items.

Chi-Chi's Chajitas run the gamut from steak and chicken to shrimp and pork, to a Deluxe Chajita for two, a combination of all four items. The experimental fixed-price lunch buffets in 20 Eastern units are well past the testing stage. Preliminary results show sales increased 10% to 20%.

More spicy items are being added to Chi-Chi's popular Diablo Dishes line. Grilled chicken, fish and meat also are being promoted. Flavored Magaritas, sold in two sizes, step up entree sales. In addition, Chi-Chi's is looking at tapas and extending its dessert line.

TACO VILLA $144MM

The chain, which is up for sale, added the Burrito Platter and is installing double-drive-thru kiosks. Grilled chicken fajita salad sells well, but tacos still remain No. 1.

EL CHICO $112.2MM

Enchilada dinners (chicken, pork, shrimp) still hold the edge over newly added beef fajitas.

A two-year commissary contract recently expired, leading the company to improve on existing items such as fajitas, chili meat and tamales, rather than adding new offerings. The quality aspect will be further promoted as the 1988 ad campaign centers on the personal involvement of the Cuellar family, which owns the El Chico chain.

TACO JOHN INTERNATIONAL $102.6MM

Menu standardization is the order of the day at this Cheyenne, Wyo.-based chain. The company has scaled down its menu slightly to help address labor costs and make it more efficient from an operations standpoint. "We've made a very decent living off of basic Mexican food," says President Rex Washburn, citing the company's 6% real growth.

Nonetheless, there are 10 to 12 new menu items on the burner at this point.

continued on page 66

LEADING MEXICAN CHAINS

1 TACO BELL INC.
PepsiCo Inc. (2)
Sales: $1,521.6MM* Units: 2,689

2 EL TORITO RESTAURANTS
Restaurant Enterprises Group (12)
Sales: $402MM Units: 187

3 CHI-CHI'S (72)
Sales: $270MM Units: 201

4 TACO VILLA INC.
W.R. Grace Inc. (125)
Sales: $144MM Units: 93

5 NAUGLES
Collins Foods International (18)
Sales: $117 Units (171)

6 EL CHICO INC. (115)
Sales: $112MM Units: 98

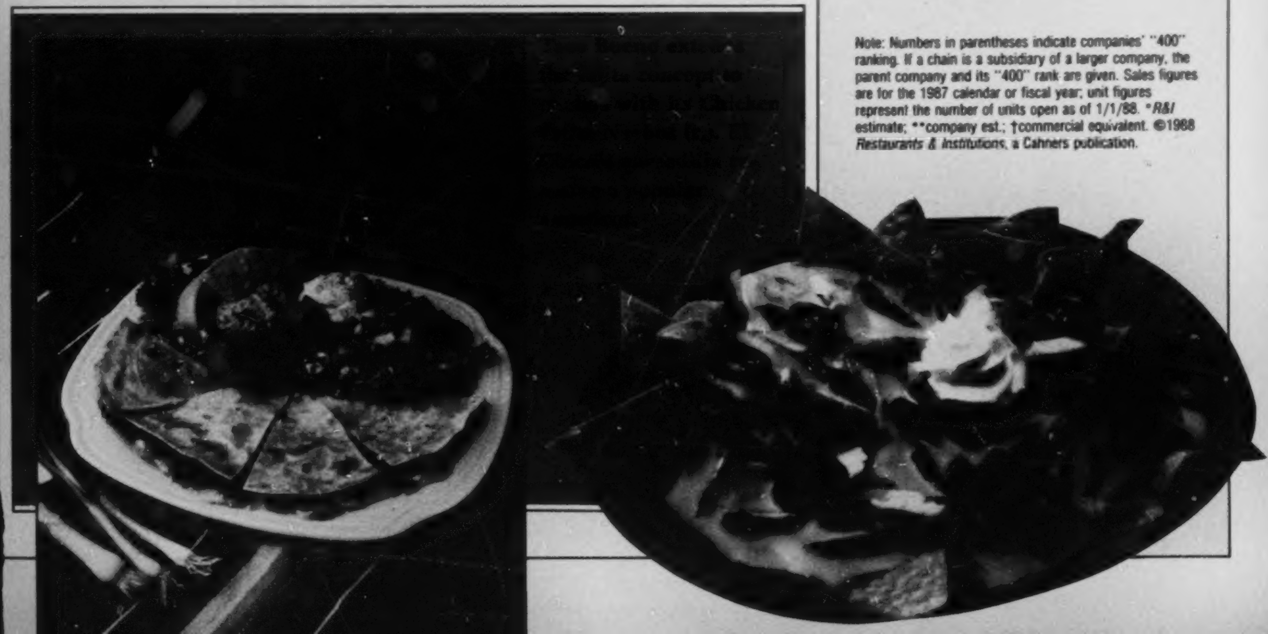
7 DEL TACO INC. (157)
Sales: $110 Units: 200

8 TACO JOHN'S INTERNATIONAL (164)
Sales: $102MM Units: 420

9 ACAPULCO RESTAURANTS
Restaurant Associates Ind. (88)
Sales: $65.9 Units: 4

continued on page 66

Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.



400: MEXICAN

Whether expanding or limiting menus, chains work to offer authentic Mexican dining.

LEADING MEXICAN CHAINS

10 TACO BUENO RESTAURANTS
Unigate Inc. (128)
Sales: $59.9 Units: 121**

11 GARCIA'S MEXICAN RESTAURANTS
Famous Restaurants Inc. (207)
Sales: $58MM Units: 33

12 TACO TIME INTERNATIONAL (224)
Sales: $70MM Units: 264

13 PANCHO'S MEXICAN BUFFET INC. (269)
Sales: $54MM Units: 56

14 TACO TICO INC. (346)
Sales: $36MM Units: 113

15 CASA OLE RESTAURANTS & CANTINAS (354)
Sales: $35MM Units: 34

16 MONTEREY HOUSE
Brock Hotel Corp. (96)
Sales: $26MM Units: 58

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More chicken items, particularly fajitas, are a menu possibility in the near future; the rest are about 1½ years away.

TACO TIME INTERNATIONAL $70MM
Crisp Taco of seasoned ground beef, Cheddar cheese, lettuce and tomato remains the runaway best seller. Last year, the company introduced chili chips with cheese and will roll out a chicken fajita burrito this summer. Taco Time's Tostada Delight, a crisp scalloped-edge flour tortilla filled with ground beef, Refritos, sour cream, Cheddar cheese, lettuce and tomato, and Mexi-Fries (deep-fried, bite-sized potato rounds) are the chain's own registered trademarks.

The company will promote the nutritional side of its menu in 1988 ad campaigns. The ads will capitalize on the freshness of ingredients used in the chain's menu.

TACO BUENO $59.9MM**
In 1987, the chain introduced Mexi-Dips & Chips, a signature item that accounts for more than 8% of sales. Several new menu items are in test. The first to roll out will be chicken fajita nachos, a variation of the highly successful chicken fajita. The current menu features everything from tacos and burritos to specialty items such as Bueno Platters, fresh guacamole salad and Bueno Chilada. A new salsa bar (and menu board) will be part of a new interior design.

GARCIA'S MEXICAN RESTAURANTS $58MM
Garcia's totally revamped its menu with 22 new presentations, most of which are extensions of existing items. Among them: a "Seafood Fundido," a seafood and cheese chimichanga, an "Enchilada Trio" of chicken, beef and cheese, and a "Lollapalooza" family-style platter of cheese enchilada, *pollo fundido* (chicken stuffed with cheese), mini tacos and chimichangas, fajita burrito (chicken or beef, and vegetables), beef flauta, tostadas, and rice and beans ($15.95 for 2). The fajita burritos and fajita chimichangas also are new.

—*Barbara Magan Dawson*

Garcia's [illegible] top off the new menu (l). Tostada [illegible], tortilla bowl filled with a tasty Mex-mix, and Mexi-Fries, bite-sized potato rounds, are Taco Time's trademarks.

400: SWEETS

ICING ON THE CAKE

Customers' desire for "real" food as well as snacks inspires sweets chains to beef up menus.

Sweets and desserts present a problem to consumers driven by conflicting impulses. And the conflict is showing up on sweet-shop menus. Operators are expanding menus to appeal to both the health-conscious and those looking to indulge.

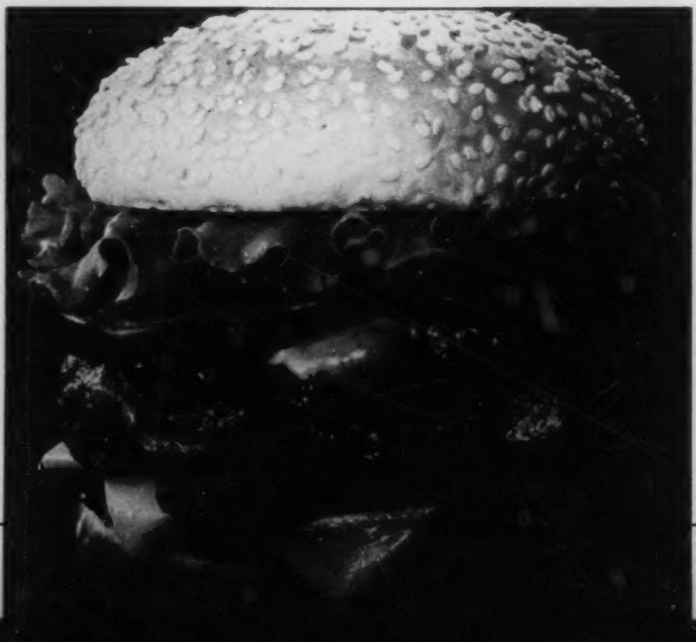
Health awareness stimulates sales of low-calorie frozen yogurt and wholesome bran muffins. Yet increasingly self-indulgent customers also demand super-premium, high-butterfat ice creams; muffins sizable in heft and calorie count; rolls fragrant with the most expensive cinnamon from the most exotic isles. They seek perfection in familiar comfort foods—a chocolate chip cookie, cinnamon roll or muffin—but are bored with narrow product lines.

Accordingly, superspecialization by operators has proven to be a dead end. Croissant bakers have expanded with cinnamon rolls; cinnamon roll shops now sell bread and muffins; muffin makers have added cookies; and gourmet cookie shops have added muffins. Several, such as Winchell's Donut House, are repositioning as neighborhood bakeries with some degree of success.

Ice cream stores, finding clientele ever more bored with plain vanilla, struggle to meet dueling taste trends with frozen yogurt and high-fat, liqueur-laced premium ice creams—both sprinkled with a variety of toppings to pique jaded palates. Premium ice cream bars are designed to compete with supermarket offerings.

Ice cream shops and doughnut shops (a slice of the segment that has suffered as customers seek more upscale or "healthier" treats) are metamorphosing into full-service restaurants. Companies such as Dairy Queen and Fosters Freeze focus on burgers and chicken in order to become all-meal-occasion restaurants and compete with their larger neighbors. Dunkin' Donuts and Mister Donut try to lure post-breakfast customers with soups and sandwiches. Both have expanded dessert options beyond the trademark product line. New store designs help create a more upscale, contemporary image and increase profitability per square foot.

Ultimate Homestyle Burger anchors IDQ's non-sweets menu.



400: SWEETS

LEADING SWEETS COMPANIES

1 INTERNATIONAL DAIRY QUEEN (9)
Sales: $2,032MM Units: 6,096

2 DUNKIN' DONUTS (28)
Sales: $728MM Units: 1,669

3 BASKIN-ROBBINS ICE CREAM CO. (35)
Sales: $624.7MM* Units: 3,372

4 CARVEL CORP. (81)
Sales: $243.8MM* Units: 750**

5 MISTER DONUT OF AMERICA (91)
Sales: $210MM Units: 709

6 MRS. FIELDS COOKIES (93)
Sales: $203.2*MM Units: 700

7 WINCHELL'S DONUT HOUSES
Denny's Inc. (13)
Sales: $158.5MM Units: 764

8 TASTEE-FREEZ
DeNovo Corp. (120)
Sales: $150MM Units: 544

9 BRAUM ICE CREAM & DAIRY STORES CO. (141)
Sales: $126.8MM* Units: 200

10 TCBY ENTERPRISES INC. (145)
Sales: $121.2MM Units: 822

11 FOSTERS FREEZE (179)
Sales: $90MM Units: 194

12 SWENSEN'S ICE CREAM CO. (191)
Sales: $84.4MM* Units: 356

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Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.

DQ's Treat Center and Baskin-Robbins' 31 Treats offer lots of choices under one roof.

INTERNATIONAL DAIRY QUEEN $2,032MM

Dairy Queen is leading the trend toward wider menus and concepts. The 5,000-plus Dairy Queen restaurants continue to increase emphasis on full meals and burgers, de-emphasizing their trademark soft-serve ice cream.

The company acquired Orange Julius last August and now operates 744 outlets. Also part of the Dairy Queen empire are 222 Karmelkorn shops. The company opened its first "Treat Center" last year—all three shops combined in a food court under one roof.

As part of its move away from positioning as a sweets shop, Dairy Queen last year promoted a "Basket Deal Combo Meal," a sandwich, drink and fries served in a red basket. This March, it introduced the DQ Homestyle Ultimate Burger, with double beef patties, cheese and tomato slices, pickles and a mayonnaise-based sauce.

DUNKIN' DONUTS $728.8MM

Continued profitability in a market segment that can be most generously described as mature is a challenge that Dunkin' Donuts has met. Growth continues at an annual pace of 10%, says Corporate Planning Director Joseph LaPaglia.

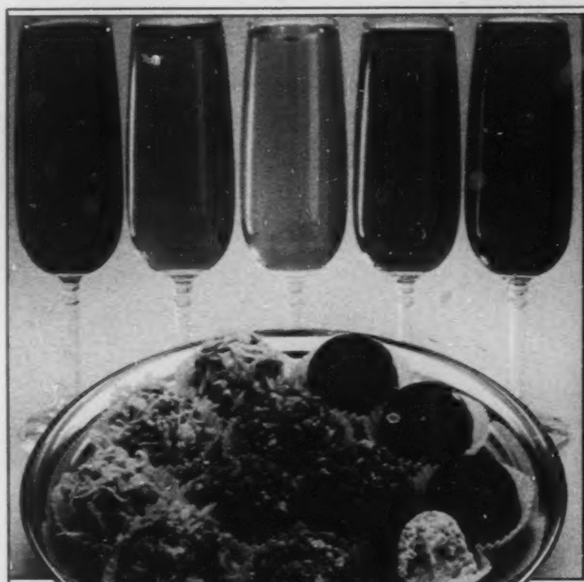
Keeping profits high in relation to costs is the biggest challenge, so Dunkin' Donuts has moved away from free-standing operations with baking on premises toward satellite operations of many types. Circle K convenience stores set deliveries of fresh doughnuts every few hours, and 7-Eleven stores are looking at a similar arrangement. Amoco gas stations, shopping mall kiosks and carts at train depots and airports are other forms of outreach.

BASKIN-ROBBINS $624.7MM

Baskin-Robbins USA has jumped on the expanded menu bandwagon and is now testing a "31 Treats" concept, which offers cookies and baked goods as well as ice cream. Test stores are in Ohio, California and Texas.

The chain made frozen yogurt available systemwide last year, and sales of the lowfat confection continue to grow. Hottest sellers, however, are "International Creams" ice creams, particularly Kahlua and Cream. Baseball and football helmet sundaes—served up in plas-

continued on page 78



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400: SWEETS

LEADING SWEETS COMPANIES

13 ORIGINAL GREAT AMERICAN CHOCOLATE CHIP COOKIE CO. (210)
Sales: $75MM* Units: 375

14 HAAGEN-DAZS
Pillsbury (3)
Sales: $66MM* Units: 300

15 DAVID'S SPECIALTY FOODS (246)
Sales: $60MM* Units: 400

16 BRESLER'S DIVISION OF OBERWEIS DAIRY INC. (340)
Sales: $37.5MM Units: 300

17 T.J. CINNAMONS BAKERIES (358)
Sales: $35MM Units: 201

18 CINNABON WORLD FAMOUS CINNAMON ROLLS
Restaurants Unlimited (195)
Sales: $35MM* Units: 65

19 BRIGHAM'S INC. (395)
Sales: $30MM Units: 72

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Doughnut and cinnamon roll shops keep sales rising by stretching their product lines.

continued from page 74

tic headgear—were highly successful promotions last year and will also run this year.

BRESLER'S ICE CREAM AND YOGURT $37.5MM

This company's change of store name—from Bresler's 33 Flavors to Bresler's Ice Cream and Yogurt Shops—and corporate name—to Bresler's Division of Oberweis Dairy—both reflect new directions.

The family-owned company, which has been franchising since 1963, was purchased in September by Oberweis Dairy of Aurora, Ill. The company has a new ad agency, Chicago's Wardrop, Mertaugh and Temple, which debuted with a "Shake, Rattle and Roll" milkshake promotion. Many of the 300 stores have been refurbished with natural oak flooring, lots of green plants and illuminated canopies, while retaining the signature orange-and-white color scheme.

Most important, the product line continues to expand, with heavy emphasis on both "Lite Delites" frozen yogurt and "Royale Creme" premium ice cream. A Czar Bar, chocolate-covered cheesecake on a stick, will be introduced this year.

"I think there was once a possibility of us becoming staid and stodgy," says company President Dave Lasky, "but I'm not at all afraid of that anymore."

T.J. CINNAMONS $35MM

The founding of this company has become a legend: how Kansas City, Mo., TV newsman Ted Rice and his wife dreamed up a franchise concept of huge, fragrant, hot-from-the-oven rolls and created a whole new food industry.

Writing the second chapter of this saga, however, requires a different sort of creativity. "In the whole history of the food business, nobody has ever survived on just one product," says company President Kenneth Hill. T.J. Cinnamons is staying ahead of the competition by expanding choices in both flavor and size. Pecan, apple almond, caramel, raisin, rum raisin and chocolate chip rolls have been developed. The plan is to have four rotating varieties of fresh rolls available in each shop. Cinnamon bread and pecan coffeecake have been introduced, too. Premium-quality muffins are now being tested.

Though the monster size of the company's rolls is a selling point, it can also turn other customers away. Already available in most of the 220 outlets are "petites," pre-packaged in boxes of six and 12, and "minis," half the size of the petites and packaged 12 or 24 to the box. Now that the company is selling pre-packed as well as fresh rolls, it is looking into retail store sales as the next logical step. ***—Rita Rousseau***

T.J. Cinnamons' minis: For customers who don't want too much of a good thing.

400: SEAFOOD

BAITING THE MARKET

Creative preparation techniques and offbeat species keep customers interested and food costs down.

Even though seafood prices were high in 1987, creativity on the part of restaurant chefs and operators helped pique America's appetite for seafood.

Increased seafood consumption by consumers indicates their desire for healthful foods and variety in their diet. Consumers paid more than $28 billion for fish and seafood products in retail and foodservice establishments. This represents a 17% increase over estimated expenditures in 1986.

Extended use of underutilized species such as ocean pout and variations in preparation techniques were a few of the reasons behind the increase in per-capita consumption of seafood for the fifth consecutive year. Despite some inconsistencies in supply, per-capita usage of fish and seafood in the United States rose from 12.3 pounds in 1982 to 15.4 pounds in 1987, according to statistics from the National Marine Fisheries Service. The National Fisheries Institute attributes a 5% gain in consumption from 1986 to 1987 to increases in the supply of shrimp, catfish, cod and pollack, which resulted in better prices and availability.

Farm-raised fish and shellfish will become increasingly important in the years to come. Aquaculture development of catfish in the Southern states and shrimp in various countries throughout the world is netting great results. Consumption of catfish is projected to increase 32% in 1988. Tilapia, a farm-raised mild white fish, is just starting to penetrate markets. Salmon farming facilities also are being established in cold-water locations in both Northern and Southern hemispheres, including the states of Maine and Washington. Restaurants will be able to serve favorites such as salmon on a much more consistent basis.

The controversy regarding the management structure of redfish fisheries raged on in the state and federal legislatures in 1987. Supply remains tight as nothing is being caught outside state waters in federal zones out to 200 miles. Even restaurateurs operating in areas where redfish is traditionally in good supply (Mississippi, Louisiana) are scrambling for shipments.

Red Lobster celebrates its 20th anniversary in 1988.

RESTAURANTS & INSTITUTIONS

Long John Silver's seafood platter is now deep-fried in vegetable oil.

RED LOBSTER $1,000MM

The nation's largest seafood dinner house celebrated its 20th anniversary by completing its chainwide remodeling program and updating its menu with fresh, broiled and grilled seafood items. These enhancements led to a 4% to 6% increase in average weekly sales per unit and a 3% jump in customer traffic.

The big news at Red Lobster is the introduction of a 15-minute-or-free-lunch program. Most items on the new lunch menu are priced under $4.99 to compete with fast-food restaurants.

On the average, only one meal per week has failed to meet the guarantee at each restaurant. Additional employees have improved the speed of assembly in the serving alleys. Servers are instructed to deliver entrees immediately after preparation, whether or not the order was originally theirs. Since the program began in October, lunchtime sales are up an average of 20%.

Marketing remains an operational strength. Red Lobster promotions continue to be product-driven, not price-driven. Lobsterfest and Seafood Trios, advertised mainly on television, also have been instrumental in driving up customer counts.

The chain also initiated a new training program last year. It introduced "value-added service" and "value-added management" programs to strengthen teamwork, improve service and further educate managers about good personnel practices and their effect on productivity.

LONG JOHN SILVER'S $746.85MM

The anticipated rollout of Long John Silver's broiled-fish program was put on hold in April to stem the tide of eroding sales. Some company units, however, are serving broiled cod, halibut, flounder and shrimp, priced from $3.79 to $5.19. Early sales returns of the broiled products at units in heartland cities such as Austin, Texas, and Toledo, Ohio, have been very disappointing, generating only 6% to 8% of the sales mix.

About 550 units were remodeled to fit broilers and additional cooler space at a cost of up to $250,000 per store, but only 150 stores are providing the products.

The chain is working to reduce dependency on North Atlantic cod and has developed a new Crispy Breaded Fish, Atlantic whiting deep-fried in vegetable oil. The lower cost of whiting allows Long John Silver's to offer fish entrees at substantially lower prices for increased customers' value perception.

In order to reflect the changing life styles of consumers, seafood salads and soups have been added to appeal to consumers who desire a non-fried, light meal. Seafood Pasta Salad was introduced last year to complement the existing Ocean Chef, Seafood and Combo salads.

Enhancements to deep-fried selections include the addition of clams to the Seafood Platter, the introduction of a breaded Cajun Shrimp Dinner and the creation of a lighter breading for catfish to improve flavor and texture.

In Long John Silver's new opera-

LEADING SEAFOOD COMPANIES

1 RED LOBSTER U.S.A.
General Mills Restaurants (14)
Sales: $1,000MM Units: 450

2 LONG JOHN SILVER'S
Jerrico Inc. (25)
Sales $746.85MM Units: 1,451

3 CAPTAIN D'S
Shoney's Inc. (17)
Sales: $342.5MM Units: 578

4 PARAGON RESTAURANT GROUP (115)
Sales: $162MM Units: 83

5 SKIPPER'S INC. (176)
Sales: $94.96MM Units: 180

6 C.A. MUER CORP. (223)
Sales: $70MM Units: 14

7 RUSTY PELICAN (245)
Sales: $60.2MM Units: 21

8 SEAFOOD BROILER (267)
Sales: $54.4MM Units: 28

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A seafood entree from Paragon Restaurant Group Inc., operators of numerous operations, including Rusty Pelican restaurants.

400: SEAFOOD

LEADING SEAFOOD COMPANIES

9 SEA GALLEY STORES INC. (268)
Sales: $54MM Units: 50

10 LEGAL SEA FOODS INC. (284)
Sales: $49.7MM Units: 11

11 PHILLIPS SEAFOOD RESTAURANTS INC. (303)
Sales: $45MM Units: 7

12 THE ORIGINAL SEAFOOD SHANTY RESTAURANTS (357)
Sales: $35MM Units: 14

13 ARTHUR TREACHER'S (379)
Sales: $32MM Units: 106

14 L&N SEAFOOD GRILL
Morrison Inc. (22)
Sales: $29MM Units: 15

15 MONTEREY BAY CANNERS
Trans/Pacific Restaurants (185)
Sales: $20MM Units: 11

16 FAMOUS FISH CO.
Famous Restaurants Inc. (207)
Sales: $8.5MM Units: 5

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Legal Sea Foods is experimenting with Shandong, an old Chinese cooking technique.

tions, the service style has been changed from cafeteria style to scatter-line to provide more room for seating.

CAPTAIN D'S $342.5MM

The Nashville-based chain added to its line of non-fried menu items in 1987 with the introduction of a grilled flounder served with rice and green beans for $4. Since consumption has risen dramatically, Captain D's, along with many other seafood chains, added catfish to its menu.

To further enhance its image, the chain has embarked on a renovation project to give its units a more contemporary look with lighter woods and colors, larger windows and a fresh navy blue trim for the exterior.

SKIPPER'S $94.6MM

The emphasis in 1988 will not be on the menu. A back-to-basics policy will focus on enhancing the image of existing products and units. Distractions such as new product rollouts will be avoided.

Skipper's has revised its trimming procedure of cod to give the customer a fatter, deeper cut of fish. In order to put a cap on waste and escalating food costs, the chain has decided to scrap its salad bar and has introduced entree salads.

Radio advertising in the second half of the year will emphasize an improved product in a attempt to bring back the customers the chain feels it has lost.

SEA GALLEY STORES $54MM

The chain is no longer assuming it knows what the customer wants and is keeping an ear to the ground in 1988, listening to what customers say they want.

Sea Galley is trying to increase market share and recently expanded its salad bar and added new combination surf-and-turf platters priced from $6 to $8, much lower than the $11 average check. Crab legs remain the signature item of the menu. A $5.99 top sirloin and deep-fried shrimp combo is among the hottest-selling menu items.

LEGAL SEA FOODS $49.7MM

While swordfish and scrod continue as top sellers, Legal Sea Foods is providing the seafood segment with perhaps the most exciting innovation today.

In an exchange with China, Legal has brought in two master chefs from the little-known Shandong province to create eight to 10 new menu items. Shandong items are not highly spiced, and the technique is refined so the seasoning brings out the freshness of the product. Vice President of Operations Roger Berkowitz says Shandong cooking may become so popular that it will replace Szechwan and Mandarin techniques.

In 1987, Legal also added gourmet seafood salads, pasta salads and a light clam chowder that does not contain butter, flour or cream.

ARTHUR TREACHER'S $32MM

Broiled chicken tenderloins have been added to the menu, and experiments with various fish and seafood species continue. The original fish and chips product remains, far and away, the best seller on the menu.

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Shandong entree from Legal Sea Foods in Boston.

400: SEAFOOD

Many chains are adding catfish to menus: Consumption is expected to rise 32% this year.

L&N SEAFOOD GRILL $29MM

The chain is regionalizing its menu with an emphasis on local seafood favorites. In the Deep South, new menu items will include fried and broiled seafood such as stuffed shrimp, stuffed whole flounder and broiled fillet of flounder.

L&N is also concentrating on promoting a whole broiled lobster and Caribbean seafood created by using seasonings such as chili peppers, coriander and tamarind.

For lunch, a buffet with three entrees and a large selection of soups and salads is being tested. Luncheon sandwich combinations are being tested at units in Mobile and Birmingham, Ala. The new menu includes oyster poor boy sandwiches, tuna, chicken or cheese melts, and fried shrimp loaf sandwiches.

A new Sunday brunch for $7.95 has become extremely popular with patrons. It includes an extensive selection of omelets, seafood entrees such as catfish and a dessert bar.

Mesquite-grilled seafood entrees continue as the chain's mainstay.

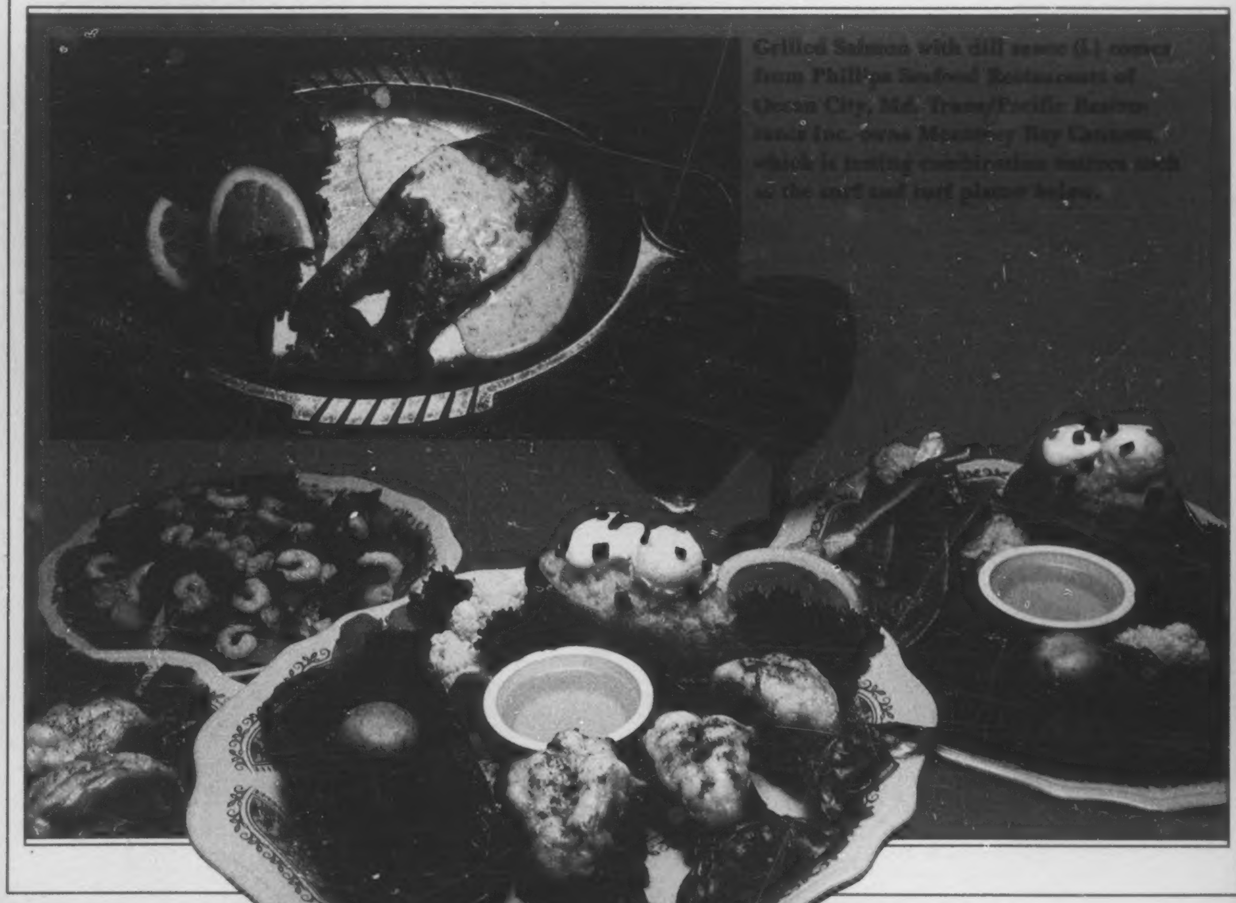
MONTEREY BAY CANNERS $20MM

In addition to serving fresh seafood items broiled over wood charcoal, Monterey Bay Canners began offering seafood prepared by a variety of cooking methods, including blackening, deep-frying and sautéing. The 11-unit chain is testing fresh pasta dishes, combination entrees, specialty shellfish and seafood salads.

FAMOUS FISH CO. $8.5MM

Famous has undergone a complete menu switch to combat declining traffic counts. The former menu mix was almost 100% mesquite-grilled fish served with a baked potato and vegetable. But high costs of fresh fish forced the chain to raise menu prices.

The new menu of extension items includes seafood stir-fries, casseroles, shish kebabs, melts, pastas such as seafood linguine and marinated products such as teriyaki shark. The expanded menu mix is expected to increase audience appeal and provide more dinners in the midprice range. *—Jeff Weinstein*



Grilled Salmon with dill sauce (L) comes from Phillips Seafood Restaurants of Ocean City, Md. Trans/Pacific Restaurants Inc. owns Monterey Bay Canners, which is testing combination entrees such as the surf and turf platter below.

400: PIZZA/ITALIAN

PIE IN THE SKY

Although pizza's popularity keeps growing, key players use discounts, delivery to fight for market share.

The pizza war is on. Delivery, price-cutting, discounting (up 30% from 1986) and product introductions are the weapons of choice in the battle for the pizza dollar. Tremors from the marketing battlefield can be felt all the way down to the local shop that starts its own two-for-one offer when a Little Caesar's opens down the block. Conversely, the big chains have their work cut out in maintaining quality. An "adequate" pizza, although delivered to the door, may not be enough to sway the consumer from an exceptional local product a short drive or walk away.

The quality issue is gaining notice. Noble Roman's, the 100-unit Indiana-based chain, guarantees quality with the offer of "If it's not OK, you don't pay." The strategy began in reference to service and now applies to the food as well. In a similar vein, San Francisco-based Round Table Pizza is thriving and claims quality is the cornerstone. Whole-milk mozzarella cheese, dough made twice daily and premium meats that contain no fillers are ingredients that bring customers back.

American Heart Association menu approval, gaining momentum in the sandwich and dinner house segments, is making its way into pizza parlors. Mazzio's, for instance, is launching a major campaign touting the association's heart emblem on its pizza. The trend should continue, starting with smaller chains and rising through the ranks.

The majority of the big chains are improving convenience by adding more items to menus and making those items more quickly accessible to the consumer. Off-premises dining has increased 27.7% during the past five years as compared to a 5.2% increase in on-premises dining, according to GDR/Crest's annual industry report. Currently, 63% of the chains deliver pizza and 11% plan to add the service in the future. Drive-thru service is catching on; Godfather's, Little Caesar's and Mazzio's already offer the service, and the trend will continue.

Full-spectrum Italian concepts are gaining momentum. The success of Olive Garden, Valentino's, Sbarro and The Old Spaghetti Factory

New in 1987: Pizza Hut's Golden Pan Pizza with wheat crust.

&RESTAURANTS
INSTITUTIONS

are ringing marketing bells in both the pizza specialty sector and non-pizza segments. Many pizza chains offer pastas and Italian dishes in addition to the basic pizza selections. Chains in other segments are picking up the idea: Rax, Wendy's and Ryan's have all added Italian items to their food bars.

PIZZA HUT **$2,500MM**

PepsiCo's pizza chain is one step ahead when it comes to trends. The company began delivery service in 1985, broke even on the proposition for the first time in 1987 and expects the service to turn a profit this year.

Shopping centers are the next target; counter-service operations in malls and other shopping centers are in test. Speed is of the essence, whether the customer stops by while shopping or sits down for a meal in a full-service unit. For the latter, technological pursuits include pre-production of the five-minute Personal Pan Pizza, hand-held terminals into which the wait staff enters orders (which travel instantly and accurately to the kitchen) and testing of ovens that reduce cooking time.

Menu trends garner an equal share of company attention. A hand-tossed Traditional Pizza crust is being tested to meet the demands of one-third of Pizza Hut customers who expressed desire for something in between the deep-dish and Thin 'N Crispy offerings. Promotional pizzas, including the Cheese Lovers Pizza, the Meat Lovers Pizza and the Cajun Style Pizza, cater to individual tastes. In some units, the Pairs promotion, offering two-for-one pizzas bought at the store, helps meet the "value deal" criteria set by competitors.

DOMINO'S **$1,980MM**

The delivery dynamo of the pizza industry reduced average delivery time to 23 minutes in 1987. The bad news, considering Domino's niche as the chain that delivers, is that the 30-minute guarantee was reached at a rate of 65%, up from 50% in 1986, but far below President Tom Monaghan's expectations. Improving delivery will be a major point of concentration in 1988.

Improving the quality of the pizza is another area of concentration. Domino's Delta Dough is in its fourth generation and is being tested in several stores throughout Ann Arbor and Ypsilanti, Mich. The crust formula has a long shelf life and handles easily with a taste and texture the company claims appeals to consumers. Research and development is getting the crust-bubble problem under control and is finding new ways to keep crust fresh once out of the oven. Finding a crust that resists steaming en route (absorbed water is what can give a pizza a "cardboard" taste) is a high priority. Domino's is also testing size and portion possibilities.

The prototype for a new free-standing unit is on the boards. The new building will allow flexibility of location.

LITTLE CAESAR ENT. **$725MM**

The master of the famous "two-for-one" pizza deal now extends the offer

Pan Pan pizza joins regular pizza and sandwiches on Little Caesar's menu.

Little Caesars

LEADING PIZZA COMPANIES

1 PIZZA HUT
PepsiCo Foodservice Div. (2)
Sales: $2,918.4MM Units: 5,394

2 DOMINO'S (10)
Sales: $1,980MM Units: 4,279

3 LITTLE CAESAR ENT. INC. (30)
Sales: $725MM Units: 1,820

4 PANTERA'S PIZZA (62)
Sales: $300MM Units: 786

5 ROUND TABLE FRANCHISE CORP. (75)
Sales: $262.5MM Units: 535

6 GODFATHER'S PIZZA
Pillsbury Co. (3)
Sales: $261MM Units: 186

7 SHOWBIZ PIZZA TIME INC.
Brock Hotel Corp. (96)
Sales: $177MM Units: 275

8 SHAKEY'S INC. (123)
Sales: $145.4MM Units: 364

9 MR. GATTI'S INC. (132)
Sales: $136MM Units: 338

10 MAZZIO'S CORP. (137)
Sales: $130MM Units: 350

11 PAPA GINO'S OF AMERICA (149)
Sales: $120MM Units: 200

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400: PIZZA/ITALIAN

Speed, quality are the impetus behind new and improved marketing strategies.

LEADING PIZZA COMPANIES

12 **ROCKY ROCOCO (254)**
Sales: $57MM Units: 121

13 **UNO RESTAURANT CORP. (272)**
Sales: $52.3MM Units: 41

14 **DINO'S U.S.A. INC. (281)**
Sales: $50MM Units: 205**

15 **PETER PIPER INC. (283)**
Sales: $50MM Units: 109

16 **STRAW HAT COOPERATIVE CORP. (324)**
Sales: $39.8MM* Units: 80

17 **NOBLE ROMAN'S INC. (325)**
Sales: $39.3MM Units: 100

18 **PIZZA KING FRANCHISES (339)**
Sales: $37.7MM* Units: 91

19 **PIETRO'S CORP. (348)**
Sales: $36MM*Units: 65**

20 **LA ROSA'S INC. (366)**
Sales: $34MM Units: 45

21 **HAPPY JOE'S PIZZA & ICE CREAM PARLOR INC. (400)**
Sales: $30MM Units: 85**

22 **CASSANO'S**
Greyhound Food Mgmt. Inc. (52)
Sales: $26.2MM Units: 64

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for its brand new Pan Pan pizza. The square, deep-dish style pizza, introduced in April 1988, is the company's first new product launch in two years and should complete unitwide rollout by the end of this year. Hopes for success are high.

This year also marks the company's first venture into network television advertising. The campaign is being handled by Cliff Freeman & Partners, the group responsible for Wendy's "Where's The Beef?" campaign. The agency is a division of Saatchi & Saatchi DFS Compton, the company Little Caesar hired in December 1987. The new ads compare the benefits of Little Caesar's to the rest of the pizza pack.

GODFATHER'S PIZZA $261MM

Godfathers's reversed a three-year sales decline and showed a profit for the first time since 1984. The turnaround was due, in part, to new product introductions and an increase in home-delivery operations, according to the company's annual report.

Successful menu additions included Hot Slice, a large slice of pizza served in three minutes, Stuffed Pie Pizza, a double-crusted affair, and the large Super Combo pizza, which offers 10 toppings for the price of six. The Thin Crust Classic was introduced in 1987 and is in direct competition with Pizza Hut's new hand-tossed crust. Godfather's franchisees have been given the go-ahead to offer two-for-one deals on the "Classic" pizzas. A deli concept is in test in several franchised units.

Despite the good news, Pillsbury intends to sell the chain as part of a corporate restructuring that began in January. Godfather's management, led by President Herman Cain, has made a bid for the chain.

MAZZIO'S $130MM

It was one busy year for this Tulsa, Okla.-based pizza chain. The company asked patrons what would make them come to Mazzio's more often. The answer: pasta. Hence the prolific rollout in 1988: lasagna, fettuccine alfredo (very hot) and pasta salads. In the fall, the second tier will begin with several stuffed shell and sauce introductions. The company also added chicken Parmesan, Chicken 'N Cheddar and garlic bread. Fried cheese and "Wings of Fire" appetizers are in test. Pizza will be offered in several new versions in "limited-time-only" deals. The specialty pizzas include bacon, lettuce and tomato, cheeseburger, Mexican, Cajun and seafood variations.

The company recently implemented its new generation of free-standing,

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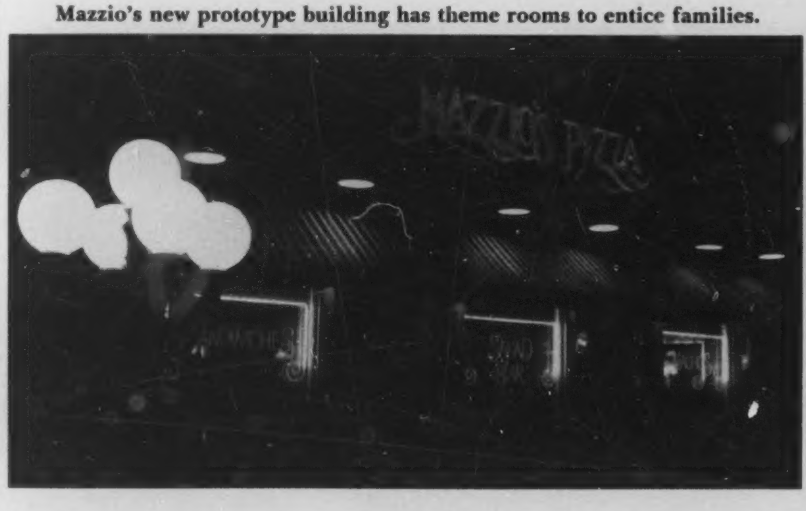
Mazzio's new prototype building has theme rooms to entice families.



400: PIZZA/ITALIAN

Prego! It's no secret that Italian is "hot." Old World recipes are drawing diners and dollars.

LEADING ITALIAN COMPANIES

1 OLIVE GARDEN
General Mills Corp. (14)
Sales: $200MM Units: 85

2 SBARRO LICENSING CORP. (153)
Sales: $117MM Units: 253**

3 OSF INTERNATIONAL (338)
Sales: $37.9MM Units: 26

4 VALENTINO'S (342)
Sales: $37MM Units: 36

5 GRISANTI'S
Imasco USA (8)
Sales: $10.5MM* Units: 32

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full-service units featuring "elements," separate rooms for dining, parties, games and television. The prototypes also include drive-thru service.

OLIVE GARDEN $200MM

If it's true that midscale dining operations showed the lowest sales and traffic growth in 1988, (compared to fast food and upscale), Olive Garden isn't paying attention to the industry.

The concept that General Mills began in 1982 is now 85 units strong and should reach 125 by the end of this year. When the customer enters an Olive Garden, a chef is preparing fresh pasta in full view in a special prep area by the entrance. All pasta is handmade on the premises daily. Once seated at umbrella-topped tables, guests are treated to an all-you-can-eat garden salad (replenished often) and soft bread sticks dusted with garlic and butter.

Traditional dishes such as lasagna, spaghetti, manicotti, chicken parmigiana and ravioli are offered, as is more exotic fare from Northern Italy: scampi, veal *piccata*, chicken Marsala and steak Tuscany. Children's plates, soup and salad combinations, light entrees and full meals (topped by generous dessert offerings) appeal to a range of diner appetites and budgets. Check averages range from $8 to $10.

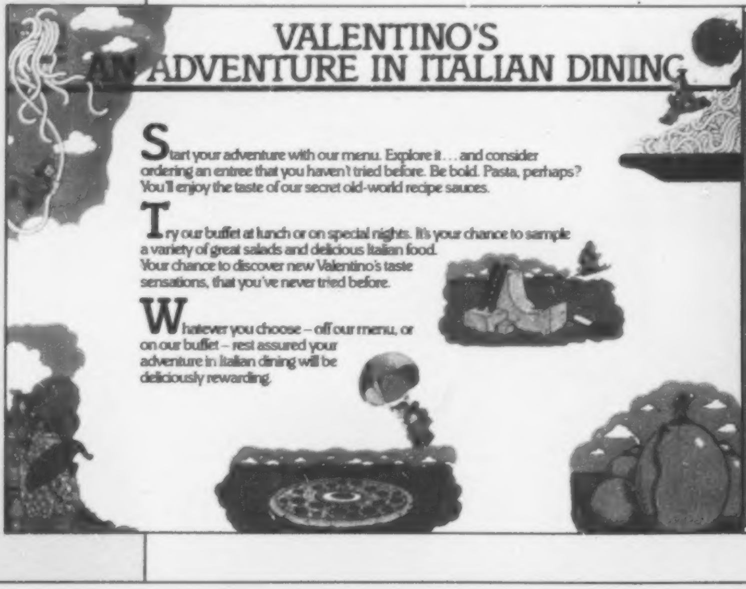
VALENTINO'S $37MM

Valentino's is creating its own "Little Italy" in the heart of Nebraska. The chain employs a variety of menu marketing tactics to keep unit volumes high. The chain's buffet is open seven days a week for lunch and dinner. Spaghetti and *mostaccioli* with a choice of six sauces, baked lasagna, baked manicotti, primavera casserole, pizzas (regular, deep dish and double crust) and lots of salads make the buffet look like Sunday dinner at Mama's.

In 1987, the company introduced mini-pizza packs, half-baked pizzas for takeout as well as full-sized frozen pizzas. Valentino's will pack a pizza for interstate delivery on request. Special offers such as deli salad of the month and coupons for free beverages are rolled out regularly.

With a full-line to-go menu and the addition of takeout delis in 1987, Valentino's is capitalizing on comparing its takeout to that of competitors (much like Shakey's Ours vs. Theirs campaign). The success of the "bountiful buffet" should continue to grow.

—Beth Gotschall



VALENTINO'S
AN ADVENTURE IN ITALIAN DINING

Start your adventure with our menu. Explore it . . . and consider ordering an entree that you haven't tried before. Be bold. Pasta, perhaps? You'll enjoy the taste of our secret old-world recipe sauces.

Try our buffet at lunch or on special nights. It's your chance to sample a variety of great salads and delicious Italian food. Your chance to discover new Valentino's taste sensations, that you've never tried before.

Whatever you choose – off our menu, or on our buffet – rest assured your adventure in Italian dining will be deliciously rewarding.

A colorful place mat from Valentino's touts the benefits of dining *al Italiano*, where the accent is on freshness. The company still operates under the careful watch of the Alesio and Messineo families of Lincoln, Neb.

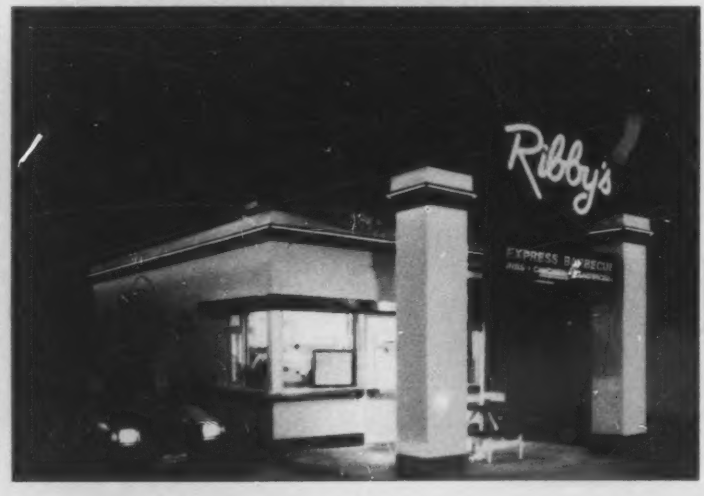
400: STEAK & BBQ

THE GREAT CUSTOMER ROUNDUP

New beef offerings keep core patrons happy, while chicken and seafood attract new customers.

No question about it: Beef is back. The steak slump has leveled off, and barbecue is burgeoning. Limited-service steakhouses Bonanza and Sizzler are still promoting seafood, chicken and salad, but full-service steakhouse leaders Stuart Anderson's and Steak & Ale are back to beef with a vengeance.

Ribby's on a roll: 20 planned for 1988.



Budget steakhouses that expanded their menus in the past several years have also cut back to beef, while others claim a steak focus but continue to put their energies into enormous hot-food bars. On the barbecue front, Ribby's (USACafes' new concept) is in gear to expand, Fat Boy's is into the competition, and Tony Roma's opened its first company-owned drive-thru unit.

That Sizzler places so little emphasis on beef is no surprise when it becomes clear that the company doesn't regard itself as in the steakhouse business. "We left the steakhouse segment five years ago," says Sizzler President Thomas Gregory. "Most people aren't coming here for steak; they're coming here for seafood and salad." Asked about the accuracy of the Sizzler name, Gregory admits, "It doesn't really reflect what we're about any more."

Bonanza is less adamant about its classification. But the company's continued strategy of menu diversification through the addition of poultry, seafood and higher-ticket items puts it in closer competition with Sizzler than other steakhouses.

A diverse menu caused problems for Pillsbury's Steak & Ale because the changes confused loyal customers and did not build sales. "We conducted research and discovered that instead of bolstering sales, a widely diversified menu would contribute to a deterioration of sales over time as the impact of unclear positioning took its toll," says Lane Cardwell, vice president of strategic planning at Steak & Ale. S&A, like Stuart Anderson's, is putting its marketing energies back into steak.

Stuart Anderson's back-to-basics beef strategy for 1987 resulted in a 5% increase in beef consumption by the first quarter of 1988. The company still has fish and chicken on the menu, but the items are secondary to steak.

PONDEROSA **$730.4MM**

Ponderosa attributes 1987's 7% decrease in customer counts to weaker sales throughout the industry following the stock market crash and to the fact that Ponderosa had no heavy-hitting new product introductions in 1987.

Menu items added in 1987 were mainly additions to the salad bar: a pasta bar, home-style soup bar, Fiesta bar (a Mexican-style food bar now used as a promotion), appetizer items such as chicken bits (99 cents extra) and express lunch.

The company continues to experiment with the salad bar, but also is testing the idea of selling only USDA Choice steaks. Ponderosa's Grand Buffet experiment includes several nonentree hot food items such as fried vegetables and chicken wings. It is currently in test in three markets.

BONANZA **$529.5MM**

Bonanza moved through 1987 and into 1988 with a strategy of menu diversification via poultry, seafood and additions to its Freshtastiks food bar. "We haven't reached the peak yet with variety," says Senior Vice President of Marketing Will Clayborn. Several broiled-fish entrees were launched, and the company introduced higher-ticket items such as Chicken Monterey Supreme, prime rib and crab legs.

Despite the gradual upscale slant, Clayborn says Bonanza is still tied to a base of budget-conscious customers and caters to them with constant enhancements to the food bar. Because the bar is included with every entree at no extra charge, Bonanza doesn't put entrees on the bar.

In 1988 Bonanza is taking the spotlight off the chicken/seafood vs. beef issue and putting it on value.

In addition, the company is working to improve its lunch program. "We think lunch is an underdeveloped opportunity for us," says Clayborn. "If we can overcome a speed-of-service perception problem with customers, it won't be difficult to get people to trade up to Bonanza from fast food."

Meanwhile, USACafes continues to expand Ribby's Express Barbecue, which serves barbecue pork and beef ribs, chicken and sandwiches. Two company-owned stores in Dallas are open, and the first franchised store is under construction in Chicago. Ribby's is negotiating franchise contracts in Dallas, California, Chicago, Kansas City, Mo., North Carolina and Tennessee. It plans to open 20 stores this year.

STEAK & ALE **$225MM**

Lane Cardwell, senior vice president of strategic planning at S&A Restaurant Corp., says the best thing Steak & Ale did in 1987 was focus on quality steaks.

The move back to steak was a new focus for Steak & Ale. "Like a lot of others, we tried to please the public with menu diversification, adding a lot of chicken and fish," says Cardwell. But the addition of those items didn't add anything to Steak & Ale's sales. In fact, S&A conducted research that showed sales would decrease if the company

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Steak & Ale's return to beef pushes sales up.

LEADING STEAKHOUSE/ BARBECUE COMPANIES

1 SIZZLER
Collins Foods International (18)
Sales: $754.3 Units: 574**

2 PONDEROSA (27)
Sales: $730.4MM Units: 693

3 BONANZA, RIBBY'S
USACafes (39)
Sales: $529.5MM Units: 605

4 WESTERN SIZZLIN' (43)
Sales: $466.2MM Units: 585

5 GOLDEN CORRAL, OH! BRIAN'S
Investors Management Corp. (45)
Sales: $445.8MM Units: 542

6 STEAK & ALE
Pillsbury Restaurant Group (3)
Sales: $225MM Units: 160

7 QUINCY'S
TW Services (11)
Sales: $221.5MM Units: 215

8 RYAN'S FAMILY STEAK HOUSES (100)
Sales: $185MM Units: 95

9 WESTERN STEER FAMILY STEAKHOUSES
Western Steer-Mom 'n' Pop's Inc. (105)
Sales: $179.6MM Units: 192

10 STUART ANDERSON'S
American Restaurant Group (40)
Sales: $170MM* Units: 85

11 TONY ROMA'S
Roma Corp. (131)
Sales: $136.8MM* Units: 120

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400: STEAK & BBQ

LEADING STEAKHOUSE/ BARBECUE COMPANIES

12 YORK'S
General Mills
Restaurants Inc. (14)
Sales: $120MM Units: 100

13 MR. STEAK
Jamco Ltd. (175)
Sales: $95MM Units: 146

14 HAPPY STEAK INC. (217)
Sales: $70.9MM Units: 95

15 SONNY'S REAL PIT BBQ (226)
Sales: $68.5MM Units: 76

16 K-BOB'S STEAKHOUSES INC. (235)
Sales: $64.5MM Units: 85

17 SIRLOIN STOCKADE INTL. (299)
Sales: $45.2MM Units: 66

18 BEEFSTEAK CHARLIE'S
Lifestyle Restaurants Inc. (252)
Sales: $38.4MM Units: 49

19 RUTH'S CHRIS STEAK HOUSE INC. (343)
Sales: $37MM Units: 19

20 BOBBY RUBINO'S USA (351)
Sales: $35MM Units: 19

21 CASK AND CLEAVER, LORD CHARLEY'S
C&C Organization (392)
Sales: $30MM Units: 22

22 FAT BOY'S BAR-B-Q (396)
Sales: $30MM Units: 36

23 FIFTH QUARTER
Shoney's (17)
Sales: $18.2MM Units: 8

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Steaks are again the focus at Ponderosa, Mr. Steak, S&A and Stuart Anderson's.

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didn't make some changes.

As a result, the chain dropped some chicken and fish items and added three new steak items. Since making the changes in October, S&A has seen more than a 10% increase in sales. "We still have a good breadth of non-steak items, just not as much depth," says Cardwell.

YORK'S $120MM

General Mills' York's restaurants are in the midst of a major repositioning to appeal more to the lighter-dining customers that frequent York's mall locations. York's has dropped the "steakhouse" half of its title and is remodeling units to incorporate a brighter and more contemporary color scheme. The company is taking the chicken and seafood menu-diversification route and is adding a huge food bar. The food bar, christened York's Bounty Buffet, is an all-you-can-eat affair including hot and cold foods and some entree-type dishes.

MR. STEAK $95MM

Underperforming restaurants and poor payment records by franchisees forced Mr. Steak's parent company Jamco to file for reorganization under Chapter 11 in October. By March of 1988, many of the problems had been resolved, and Jamco was busy preparing its reorganization plan for presentation this year.

One innovative step taken in December as a result of the reorganization was the formation of Mr. Steak's Marketing Cooperative. Under this setup, Mr. Steak's marketing and advertising functions are administered by an elected council of franchisees and company representatives. The first promotion the co-op created was a seafood promotion—"Mr. Steak's Gone Fishin.'"

The company continues to do well with combination steak platters. Several samplers will roll out this fall. The Great American Sampler includes a steak kebab, marinated chicken breast and miniature shrimp. The Mixed Grill includes steak, pork chop and chicken. Also scheduled for the fall is a "name steaks" campaign featuring T-bones, rib-eyes, filet mignons and more.

—Monica Kass

Spring seafood promotion "Mr. Steak's Gone Fishin'" was the first program developed by Mr. Steak's newly formed advertising and marketing cooperative. The promotion ran from March to May 1988.

VARIATIONS ON A THEME

The restaurants are diverse, but the customers like the same things: spicy food, fresh fish, dessert.

Casual dining is one of the most diverse segments in the "400": It includes Bennigan's, with almost $450 million in sales; and Consolidated Specialty Restaurants, operator of Carlos Sweeney's and others, at $22.6 million. It includes companies that operate a multitude of concepts (such as Specialty Restaurants Corp. and Big 4 Restaurants) and companies that operate just one: the Hard Rock Cafe, Cracker Barrel and Houston's, to name a few.

The diversity in this segment also is evident when it comes to the way menus are planned. At Restaurants Unlimited, new recipes are developed at the corporate level and made available to each restaurant. At The Levy Restaurants, recipes are developed at the unit level, but individual chefs often work with a recipe team that includes a corporate *chef de cuisine.* At the Hard Rock Cafe, menus are standard save for a few regional variations: Some cities get the fresh ahi tuna sandwich while others get the Pulled Pig.

Despite their differences, however, restaurants in the casual-dining segment often have similar experiences when it comes to what their customers want to eat. What's hot this year? Roasted and grilled dishes are popular, and wood-burning ovens are definitely *de rigueur.* Fresh grilled fish—the more exotic the better—is hot, as is Italian food of all types. The Cajun craze seems to have abated, but many operators are still having success with dishes such as jambalaya and Cajun prime rib.

Chicken entrees continue to increase in popularity. Lime Grilled Chicken is now the best-selling menu item at the Hard Rock Cafe, which earned its reputation with large, gourmet hamburgers. And while beef still accounts for 37% of sales at Ground Round, the company is coming on strong with a number of new chicken entrees.

"Southern" and "country" and "country-style" are all magic when it comes to menus; so are Southwestern and Tex-Mex. But when they're hankering for Mexican food, customers in this segment seem to want the basics: nachos, burritos, fajitas and chimichangas. More unusual items traditionally don't sell well.

Two of Bennigan's new country-style dishes

&RESTAURANTS INSTITUTIONS

BENNIGAN'S $449MM

Bennigan's has added many new entrees to menus over the past eight months. Among them: the Southwestern Chicken Salad ($5.95), Shrimp Marinara with Linguine ($7.75), Chicken Cacciatore over Linguine ($6.95), Manicotti ($6.25), Scallops Milano (in Alfredo sauce over linguine—$8.25), fried scallops ($7.75) and a 6- to 8-ounce Cajun prime rib ($8.95). Bennigan's continues to sell a lot of Shrimp Creole, Shrimp Etoufée and Jambalaya.

Bennigan's also recently added three country-style dishes to its menus: catfish fingers ($6.75), country-fried steak ($6.45) and country-fried chicken ($6.45).

Overall, Mexican items—chicken burrito, chimichanga, enchilada—sell well at Bennigan's, although they sell best in the Southwest.

GROUND ROUND $181.5MM

While beef items currently account for 37% of sales, and burgers are Ground Round's hottest-selling items, chicken is coming on strong at this Massachusetts-based chain. In 1987, Ground Round added a charbroiled chicken breast with barbecue sauce served as a sandwich ($3.85) or a dinner entree ($5.95 to $6.25).

Ground Round has also stepped up its seafood selections, adding fried clam strips ($2.25 as an appetizer, $5.95 as an entree) and a fried combination platter: clam strips, fillet of flounder and shrimp. Called Hook, Line and Sinker, the platter sells for approximately $6.95. Currently in test are a baked fillet of cod (wrapped around broccoli and cheese) and a broiled cod fillet with lemon butter.

Ground Round has also implemented a new dessert program that includes ice cream pies and mud pie. The company is now testing two new summertime desserts: Orange Freeze Pie (orange sherbet and vanilla ice cream in a cookie crust) and Mint Chocolate Chunk Pie (mint chocolate chip and vanilla ice cream and fudge sauce).

Ground Round recently reworked its Mexican menu insert, eliminating the less successful items from menus in company-owned stores. Nachos, a taco salad, burritos and chimichangas made the cut; Mexican whitefish, Mexican chicken and Mexican steak are history.

BOBBY McGEE'S $56MM**

The best-selling menu item here is still prime rib, served Cajun-style or Dallas-style (grilled with sautéed vegetables). Prices range from $8.95 to $15.50. Another big seller is Mahi-Mahi Macadamia ($9.50 in most markets).

Bobby McGee's unveiled a new menu in the spring, and all units were using it by late June. The menu includes a $13.95 seafood platter (fried scallops, fried shrimp, clam strips, fried oysters and orange roughy), Pesto Fettucine ($8.95), and Pescadore Meuniere (fresh catch of the day, grilled and served in puff pastry on steamed spinach with bay shrimp and meunière sauce; market price).

Ground Round promotes combination plates.

LEADING CASUAL-DINING COMPANIES

1 BENNIGAN'S
S&A Restaurant Corp.
The Pillsbury Co. (3)
Sales: $449 Units: 212

2 CHILI'S INC. (79)
Sales: $253 Units: 146**

3 HOULIHAN'S
Restaurant Enterprises Group (12)
Sales: $148 Units: 54

4 GROUND ROUND (103)
Sales: $181.5 Units: 191

5 SPECIALTY RESTAURANTS CORP. (106)
Sales: 178 Units: 73**

6 BROWN DERBY (122)
Sales: $148 Units: 50

7 TGI FRIDAY'S
Carlson Cos. (31)
Sales: $1[illegible]3 Units: 128

8 CHART HOUSE
CHF [illegible] (156)
Sales: $111.1* Units: 63

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400: CASUAL DINING

LEADING CASUAL-DINING COMPANIES

9 CRACKER BARREL OLD COUNTRY STORES (193)
Sales: $83 Units: 53

10 BENIHANA OF TOKYO (193)
Sales: $79.6 Units: 48

11 LETTUCE ENTERTAIN YOU (198)
Sales: $64 Units: 58

12 MAGIC PAN (236)
Sales: $58 Units: 16**

13 HOUSTON'S RESTAURANTS (251)
Sales: $78.5 Units: 31

14 LIFESTYLE RESTAURANTS (253)
Sales: $57 Units: 49

15 BOBBY McGEE'S USA INC. (259)
Sales: $56 Units: 20**

16 PRUFROCK RESTAURANTS INC.
Unigate Restaurants (128)
Sales: $56 Units: 54**

17 VELVET TURTLE
American Restaurant Group (40)
Sales: $53MM* Units: 21

18 THE LEVY RESTAURANTS (263)
Sales: $55 Units: 30

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At Levy's upscale Spiaggia, customers love duck sausage pizza with sage and goat cheese.

In March, Bobby McGee's rolled out a new lunch menu. Two popular items on it are the Straw Sandwich—pastrami with sauerkraut on grilled Russian rye with Thousand Island dressing, Swiss cheese and homemade Cajun potato chips—and the Mandarin Orange Chicken Salad, served with fried rice noodles and sesame dressing.

BENIHANA OF TOKYO $79.6MM

A chicken and shrimp combo called The Benihana Delight ($18) was added to the menu in 1987 and is currently one of the chain's hottest-selling items. Other items added in 1987 were Hibachi Salmon and Hibachi Swordfish. New side dishes include New Zealand Green Mussels and Seafood Tempura.

Benihana plans to add a $20 steak and prawn dish called Splash & Meadow in 1988 and is currently testing double portions of steak.

PRUFROCK RESTAURANTS INC. $56MM**

Prufrock's two concepts, The Black-eyed Pea and The Dixie House, are similar in that both specialize in home-style cooking.

At the five Dixie House units, the best-selling menu item remains chicken-fried steak, priced at $5.50. In 1987 the company added chicken fingers and a variety of chicken specials such as chicken and dumplings, Chicken Divan and Chicken Pot Pie. In 1988, there will be new specials, and more of them.

Chicken-fried steak ($5.25) is the best-selling item at the 51 Black-eyed Pea units as well. But the company is at work adding gas-fueled charbroilers to every unit, and new charbroiled items such as a Grilled Chicken Salad ($5.25) and a Charbroiled Chopped Steak ($5.75). Special items—such as a halibut steak—will also be cooked on the grill.

After a successful test, Black-eyed Pea is also adding chicken fingers ($3.75) in all units. A $3.50 Bacon Cheeseburger will be added to all units by the end of the year.

THE LEVY RESTAURANTS $55MM

The Levy's newest restaurant, Eurasia, opened June 9. Two appetizers on the restaurant's opening menu are gingered *foie gras* with grilled pineapple, and crispy Japanese eggplant and asparagus. Entrees include wok-charred swordfish and tuna; Eurasian duck with scallion rice pancakes; and a toasted pasta pie with grilled shrimp. Desserts

A fresh fruit tart at The Levy Restaurants' Bistro 110 in Chicago. In the casual-dining segment, desserts seem to be as popular as ever. Key Lime Pie, ice cream, gelato, sorbet and mousse are all big summertime sellers.

400: CASUAL DINING

LEADING CASUAL-DINING COMPANIES

19 PALM MANAGEMENT (275)
Sales: $51.2 Units: 11

20 RED ONION
International Onion (286)
Sales: $48 Units: 13

21 TRADER VIC'S (301)
Sales: $45.1* Units: 20

22 BIG 4 RESTAURANTS INC. (397)
Sales: $30 Units: 11**

23 BOMBAY BICYCLE CLUB
Associated Hosts Inc. (219)
Sales: $56.8MM* Units: 43*

24 HARD ROCK CAFE (300)
Sales: $45.2 Units: 6

25 RESTAURANTS UNLIMITED (195)
Sales: $45MM* Units: 18

26 SKYLINE CHILI (356)
Sales: $35 Units: 70**

27 SPENCECLIFF CORP. (364)
Sales: $34 Units: 24**

28 CONSOLIDATED SPECIALTY RESTAURANTS INC.
Consolidated Products Inc. (169)
Sales: $22.6 Units: 16

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The Hard Rock is known for burgers, but Lime Grilled Chicken is the best-selling entree.

include a cashew coconut tart and chocolate Chinese noodles in cinnamon cream.

At the Levy's Bistro 110, the best-selling items are the oven-roasted half chicken, the oven-roasted whole fish of the day and the veal chops. And, says Levy's Pam Friend, the onion soup sells "like wildfire." A popular dessert is Chocolate Paradis: a dense chocolate cake with chocolate mousse, caramel and toffee. New chef Rene Bajeux came on board June 1 and at press time was planning some menu changes.

At Spiaggia, the Levy's upscale Italian restaurant, customers love the grilled sliced sirloin served rare with rosemary, black pepper, olive oil and lemon; and rack and loin of lamb with roasted garlic, rosemary, green peppers and a risotto cake. Pastas also sell well at Spiaggia—peppardele herb pasta with quail and morel mushrooms is one popular dish.

HARD ROCK CAFE $45.2MM

At Peter Morton's successful concept, the basic menu fare remains burgers, ribs, fish and salads, but the Lime Grilled Chicken ($8.95) is still the hottest-selling menu item.

With a few exceptions, all Hard Rock menu items are available systemwide. Fajitas ($8.95) were recently added in the Houston unit, Shark Bites (deep-fried shark nuggets served with dipping sauce) are being tested in Honolulu ($3.95), and menus in Los Angeles, San Francisco and Honolulu include a fresh ahi sandwich on a whole wheat bun ($6.95).

Ruth's Spicy Chicken Wings, breaded with Japanese crumbs and spices ($3.95), is a new Hard Rock appetizer. Another new item is a vegetarian sandwich called the Hard Rock Natural, served with french fries for $4.95. A new $4.95 soup and sandwich combo is selling well.

RESTAURANTS UNLIMITED $45MM*

Grilled fish is RU's hottest menu item right now, and king salmon grilled over charcoal is a particular customer favorite.

Among the dishes the company has added recently are smoked chicken ravioli with ginger cream sauce; Thai crispy ocean perch; red pepper linguine with chargrilled leeks and prosciutto, vermicelli and *pancetta*; Bayou Black Bean Soup with lime cream, and Chicken Sa-teh with Thai peanut dip.

—Julie Mautner

The Chicago restaurant Hat Dance is Lettuce Entertain You's newest. Customers wait up to two hours to taste Mexican dishes such as grilled Shrimp Mojo de Ajo with orange-tomato salsa.

400: FAMILY DINING

HOME AWAY FROM HOME

Family dining says "come hither" with homey foods for the comfort-crazed and light dishes for the health-minded.

Operators in the family dining segment cannot be blamed for last year's flat sales. Most were in their shirt-sleeves knuckling down to the nitty-gritty task of competing for customers with every foodservice segment from chains to fast food to independents. In 1987, competitive strategies included a renewed dinner emphasis, revamped breakfasts, more fresh and light dishes and a big focus on value with homey, reasonably priced, old-fashioned foods.

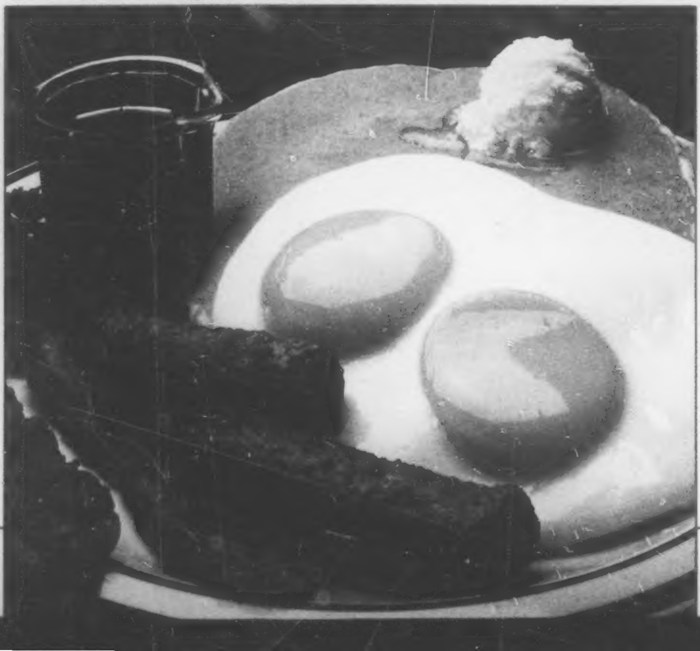
Bob Evans launched its "Just a Few Smiles from Home" campaign, bringing customers in to sample meat loaf, chicken and noodles, and beef stew. Country Kitchens and PoFolks went into test with pot roast, and Perkins brought out a magnificent menu celebrating the most comforting "meal" of all: dessert, following the lead of major franchisee Perk Development Corp.

PoFolks filled in menu gaps with grilled foods, offering them as an alternative to fried entrees, while Bill Knapp's rolled out a multitude of chicken dishes and took nearly as many pasta plates into test.

Denny's "freshened and lightened" its menu with several lighter foods interspersed throughout, including a chicken sandwich that sold well. The company also tested ethnic and regional-American extensions to its popular Grand Slam breakfast. International House of Pancakes broadened breakfast in some regions with a Taco Conquistador omelet and announced plans to add four chicken sandwiches systemwide this year. IHOP also announced plans to strengthen its "three-meal occasion positioning" by pumping out two 1988 dinner promotions: the Split Decision dinner and Deep Sea Dinner Deal.

Wag's and Bill Knapp's promoted stir-fried vegetable dishes. Friendly Ice Cream improved its dinner image with its first attempt at complete dinner packages, offering soup, salad, entree and dessert. With an eye on increasing competition from fast-food restaurants, Friendly also launched its Express Lunch program, and Wag's and Denny's built better burgers, underscoring America's return to beef.

Denny's is testing variations on its Grand Slam breakfast theme.



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400: FAMILY DINING

LEADING FAMILY DINING COMPANIES

1 DENNY'S RESTAURANTS (13)
Sales: $1,485.4MM Units: 2,072

2 BIG BOY FAMILY RESTAURANTS
Marriott Corp (4)
Sales: $1,096.8* Units: 914

3 SHONEY'S
Shoney's Inc. (17)
Sales: $718.6MM Units: 614

4 FRIENDLY ICE CREAM (36)
Sales: $572.4MM Units: 614

5 VILLAGE INN, BAKERS SQUARE
Vicorp Restaurants Inc. (50)
Sales: $381.6MM Units: 410

6 PERKINS FAMILY RESTAURANTS (53)
Sales: $343.7MM Units: 334

7 WALT DISNEY CO. (55)
Sales: $336 Units: 182

8 INTERNATIONAL HOUSE OF PANCAKES (64)
Sales: $297.5 Units: 454

9 WAFFLE HOUSE INC. (85)
Sales: $230.6* Units: 610*

10 MARIE CALLENDER PIE SHOPS
Ramada Inns Inc. (33)
Sales: $225MM* Units: 135*

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Family dining restaurants filled menu gaps by adding broiled and low-calorie entrees.

DENNY'S $1,485.4MM

Denny's updated its menu, adding lighter lunch and dinner products, revising burger offerings and expanding the popular Grand Slam breakfast.

Denny's revised its burger program to keep up with changing tastes. "One of the most basic things that is expected from a full-service, full-menu family restaurant is a good hamburger," says Henderson. "We needed to contemporize ours."

Denny's is also testing ethnic and regional American product extensions for its Grand Slam breakfast, which traditionally includes two pancakes, two eggs, two sausages and two slices of bacon. The $2.99 promotion features French, English and Southern Grand Slams. The French version comes with French toast instead of pancakes. The English has English muffins and the Southern, biscuits and sausage gravy.

FRIENDLY ICE CREAM $572.4MM

Friendly expanded its Express Lunch program systemwide in 1987. The chain guarantees that any meal ordered from a list of nine express lunches will arrive in five minutes or less. If a meal is late, the customer gets a coupon for a free 4-ounce sundae, redeemable any time. Express lunches—offered Monday through Friday, 11:30 a.m. to 1 p.m.—include chicken, seafood and tuna salad pockets, soup and salad combo, three salad platters and three sandwiches.

For the remainder of the year, Friendly will concentrate on expanding its dinner program to include several-course dinners available after 4 p.m.

PERKINS FAMILY RESTAURANTS $343.7MM

Perkins' menu highlights in 1987 mirror those of major franchisee Perk Development Corp. Perk's melt sandwiches and new dessert menu contributed so much to sales that franchisor Perkins picked up both new items.

A new tri-fold dessert menu with a cover photo of the restaurant's sumptuous croissant sundae was introduced last August and became part of the Perkins national menu this year, says Michael Cannon, vice president of purchasing and marketing for Perk Development Corp. "Our goal was to increase dessert sales 50%," says Cannon.

The menu helped Perk exceed even that lofty goal. Dessert sales went from $20,000 a month to $65,000 a month. "The menu allowed us to sell higher-ticket desserts," says Cannon. "Pie and sundaes are still the leading dessert sellers, but higher-ticket desserts like

continued on page 144

Perkins
Just Desserts

400: FAMILY DINING

LEADING FAMILY DINING COMPANIES

11 BOB EVANS (87)
Sales: $220MM Units: 196

12 POFOLKS (104)
Sales: $180MM Units: 164

13 COUNTRY KITCHEN INTERNATIONAL
Carlson Cos. Inc. (31)
Sales: $169.2MM Units: 252

14 KETTLE RESTAURANTS INC. (148)
Sales: $120MM Units: 207

15 WAG'S
Walgreen Co. Food Division (151)
Sales: $119.3MM Units: 120

16 JB'S RESTAURANTS INC. (161)
Sales: $105.5MM Units: 110

17 LYON'S RESTAURANTS INC. (177)
Sales: $92MM Units: 63**

18 SWENSEN'S (191)
Sales: $84.4MM* Units: 356*

19 BILL KNAPP'S MICHIGAN INC. (197)
Sales: $78.5* Units: 67

20 ELBY'S RESTAURANTS INC. (205)
Sales: $77MM Units: 72

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Home favorites such as pot roast, meat loaf and mashed potatoes were reintroduced.

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the croissant sundaes are selling, too."

Perkins says the 1987 melt sandwich campaign was its most successful product introduction. Since the product launch, melt sandwiches have grown to represent the highest sales profile within Perkins' sales mix. Melt sandwiches represent 10% of total food sales.

BOB EVANS $220MM

Bob Evans says its 1987 strategy of homey, reasonably priced dinners has proven to be right on target. The chain hoped to raise total dinner sales by 10% as a result of adding five midpriced dinners to menus at two Midwest test stores. The company reached the target and subsequently expanded the items systemwide in February. An advertising campaign launched in March, "Just a Few Smiles from Home," helped Bob Evans exceed the 10% dinner sales increase systemwide.

POFOLKS $180MM

In-store merchandising for PoFolks' Mason-Dixon meat loaf says the product has "a taste worth heading South for." The chain focused on homey midpriced dinners in 1987 and will continue to do so this year.

PoFolks says it "filled gaps" in its menu last year by introducing nonfried items: rib-eye steak, broiled flounder and grilled chicken breast. "Once we had our weaknesses fixed (lack of non-fried alternatives), we moved on with our strategy of hearty, home-style cooking," says Director of Marketing Mike McNeil.

Mason-Dixon meat loaf was tested in Nashville, Tenn., and 12 other markets. Pot roast is in development.

PoFolks also added breakfast in 60 restaurants and will expand the daypart on a restaurant-by-restaurant basis, depending on demographics.

COUNTRY KITCHENS $169.2MM

Country Kitchens is sticking with the down-home, old-fashioned theme that helped the chain sell 50 million servings of Calico Bean soup. One of last year's most successful promotions was country-fried steak. The promotion "took an old favorite menu standard,

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Bob Evan's midpriced, homey meals are right on the money.

400: FAMILY DINING

Operators revised burgers and improved dinners to draw customers away from other segments.

LEADING FAMILY DINING COMPANIES

21 **EAT' N PARK RESTAURANTS INC. (244)**
Sales: $61MM Units: 46

22 **HUDDLE HOUSE INC. (305)**
Sales: $44.7MM Units: 130

23 **TRUCKSTOPS OF AMERICA**
Standard Oil (318)
Sales: $40.5MM Units: 36

24 **JERRY'S RESTAURANTS**
Jerrico Inc. (25)
Sales: $40.3MM Units: 57

25 **ELMER'S PANCAKE & STEAK HOUSE INC. (337)**
Sales: $38MM Units: 31

26 **SHARI'S MANAGEMENT CORP. (355)**
Sales: $35MM Units: 37**

27 **SPIRE'S RESTAURANTS (365)**
Sales: $34MM Units: 26

28 **CLOCK RESTAURANTS (371)**
Sales: $33MM Units: 43

29 **HAPPY CHEF SYSTEMS INC. (375)**
Sales: $32.5MM Units: 52

30 **VIE DE FRANCE (398)**
Sales: $30MM Units: 57

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country-fried steak, and played it up in a flashy ad," according to Allan Post, senior vice president of marketing.

Even farther down the road, Country Kitchens has a Country Classics campaign on the drawing boards that will tentatively feature hot, old-fashioned suppers on sizzling platters with lots of vegetables served family-style.

WAG'S $119.3MM

One of Wag's most successful television ad campaigns for 1987 featured Asian-Americans eating Oriental food at Wag's. The tag line: "An American restaurant is a great place to come for Oriental stir-fry."

The company introduced chicken and beef stir-fry last year and added shrimp later. In addition, Wag's revised all of its salads, upgraded its dessert programs and began testing charbroiling. As part of that program, Wag's introduced a midpriced USDA choice steak and teriyaki chicken breast. Broiled halibut was tested but dropped. Like Denny's, Wag's revised its hamburger. The new version weighs a third of a pound and is served on a fresh-baked bun.

BILL KNAPP'S $78.5MM*

Bill Knapp's tested chicken dishes galore last year to gear up for April's new menu introduction—the first major menu revision Knapp's has attempted in three years. Company spokeswoman Linda Bruce says the changes were made to lighten and update Bill Knapp's food offerings.

Bill Knapp's also added more fresh broiled fish to the menu. Two to three fresh fish varieties are featured as the lunch catch of the day; three to four varieties are available at dinner. Stir-fry also made its debut in several forms, and the chain brought back a popular three-cheese supreme sauceless pizza. Two pasta dishes rolled out in April.

—Monica Kass

Hot Stuffers did so well, Country Kitchens launched Cool Stuffers.

400: CAFETERIAS

OVER THE COUNTER

Cafeterias of the '80s give patrons a takeout option and stock the serving line with fresh fare.

Cafeterias have always been the industry's best-value segment. With new food offerings and updated decors, the restaurants have come a long way since salisbury-steak-and-green-gelatin days.

Morrison's, for instance, puts top priority on decor. In 1987, 30 of the chain's 310 restaurants were remodeled, and another 30 are scheduled for face lifts this year. Brass and wood have replaced stainless steel on serving lines; new chandeliers and carpeting dress up dining areas.

Like the rest of the restaurant industry, fish and chicken selections are becoming more prevalent on cafeteria menus. Broiled, not fried, foods appeal to customers. S&S, for instance, has introduced "Lean and Green," broiled salmon served with a salad. Chicken teriyaki is another popular menu addition at cafeterias, as are ethnic and regional specialties. A few companies offer low-cholesterol and low-sodium entrees, as well as smaller entrees.

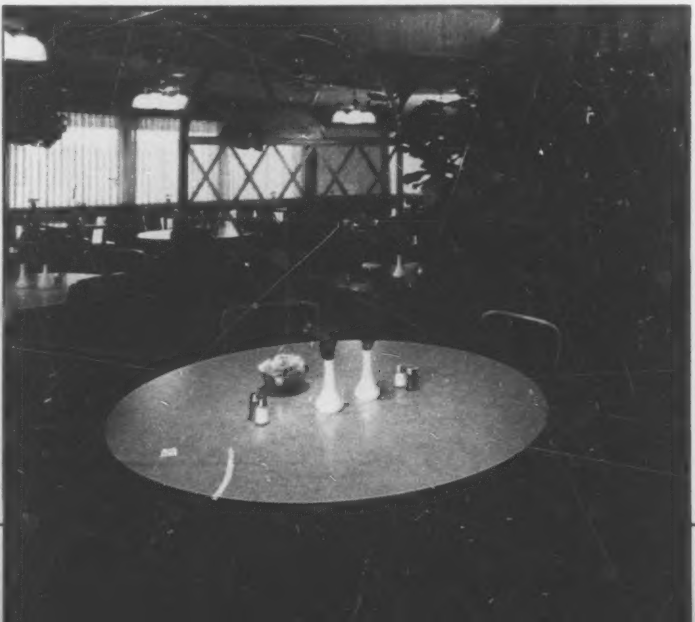
Menu selection is diverse enough to include something for everyone. The opportunity to control portion sizes and the price/value factor appeal to all ages, especially the elderly.

More cafeterias are offering customers the takeout option. Luby's offers takeout service at all 103 restaurants. S&S operates five Take Out Shoppes, each one separate from the cafeteria. Each new S&S restaurant will house a Take Out Shoppe, which offers 99% of the cafeteria's menu.

Morrison's takeout counter offers one-third of the menu items. One counter in the system grossed $300,000 in takeout sales last year; another is expected to take in $1 million.

Trendier menus and updated decors will prove especially important as cafeterias attempt to move into more sophisticated markets. Traditionally entrenched in the South and Southwest, a few companies are attempting to break into new territory. Piccadilly, for instance, has opened a unit in California and plans to open more in the next 12 months. Other companies are awaiting the outcome. Even more important, success will depend on how well the segment introduces the "new" cafeteria to the public.

Luby's Cafeterias is undergoing an image change.



400: CAFETERIAS

LEADING CAFETERIA COMPANIES

1 MORRISON CAFETERIAS
Morrison Inc. (22)
Sales: $310MM Units: 162

2 FURR'S CAFETERIAS AND BISHOP'S BUFFETS (77)
Sales: $256.2MM Units: 152

3 LUBY'S CAFETERIAS INC. (83)
Sales: $232.9MM Units: 103

4 PICCADILLY CAFETERIAS INC. (89)
Sales: $217MM Units: 116

5 WYATT CAFETERIAS INC. (98)
Sales: $189MM Units: 119

6 INTERNATIONAL KING'S TABLE INC. (180)
Sales: $90MM Units: 90

7 BUFFETS INC. (249)
Sales: $58.3MM Units: 36

8 K&W CAFETERIAS INC. (295)
Sales: $46MM Units: 20**

9 S&S CAFETERIAS
Smith and Sons Foods Inc. (304)
Sales $44.7MM: Units: 20

10 MCL CAFETERIAS (309)
Sales: $44MM Units: 27

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Chains go for lighter, brighter decors as they push into new geographic markets.

MORRISON INC. $310MM

Serve-yourself buffets (one price for all you can eat), sundae bars and deviled crab are on Morrison's drawing boards. The company's best sellers are grilled chicken, chopped steak and fresh vegetables. The grilled chicken is prepared in view of the customer.

The chain promoted package deals last year to point out the good-value aspect of cafeterias. For one price, customers chose between an entree, vegetable and potato—for instance, fried shrimp, vegetables and hush puppies.

The chain will continue to open about 12 units a year and hopes to expand outside the Sun Belt. Sadie's Buffet, a serve-yourself concept, is also slated for expansion.

LUBY'S CAFETERIAS $232.9MM

At Luby's, the emphasis on fresh extends from the kitchen to the serving line. Hot breads, sweet rolls, cakes and pies are replenished on the line throughout the day. Fried fish and okra are hand-breaded. The chain makes its own mayonnaise, salad dressings and gravies.

For people on the go, Luby's offers a takeout menu at all locations. The newest cafeteria in Houston even has staff and counter space dedicated exclusively to providing takeout.

PICCADILLY CAFETERIAS $217.5MM

Currently, five units are open for breakfast. The daypart is producing 10% incremental sales gains at each restaurant; operating margins are comparable to Piccadilly's lunch and dinner business, with little or no additional investment required.

Piccadilly offers a daily "Dilly" special that allows customers to order half an entree with small servings of vegetables. The Dilly costs $3.30. Piccadilly's average check is about $4.34.

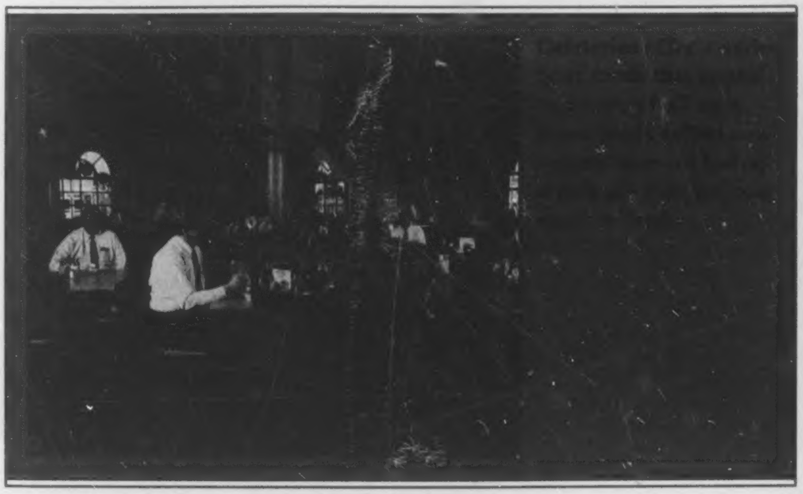
The company recently opened its first cafeteria in California. Several additional California openings are planned during the next 12 months.

S&S CAFETERIAS $44.7MM

Smith & Sons is giving its restaurants a new look. The decor, which features lots of window and clear, clean colors, can best be described as "Cool Southern Style."

The newest cafeteria, opened March 7 in Daytona Beach, Fla., sports the new image and offers a complete breakfast—eggs, pancakes and french toast prepared on the line. The unit also features a Take Out Shoppe.

New menu items include chicken teriyaki, the Lean and Green salmon/salad plate, and broiled and leaner cuts of meat. ***—Kathleen Marshall***



400: RETAIL/C-STORES

OFF THE SHELF

Convenience stores and department stores are focusing unprecedented amounts of energy on foodservice.

Retail store operators no longer want foodservice to be considered an afterthought. By adding to menus and promoting new dayparts, convenience stores hope to lure customers in for a meal or a snack—and to pick up a few groceries while they are in the store.

These goals, however, may take some time to reach. Retail operators, such as supermarkets and department stores, for instance, are offering full-service and quick-service restaurants as well as self-serve food bars. For example, the space now occupied by Dayton Hudson's Sky Room has seen a 60% sales increase since its conversion from a sit-down restaurant to a quick-service concept. Takeout accounts for more sales than those from the sit-down locations.

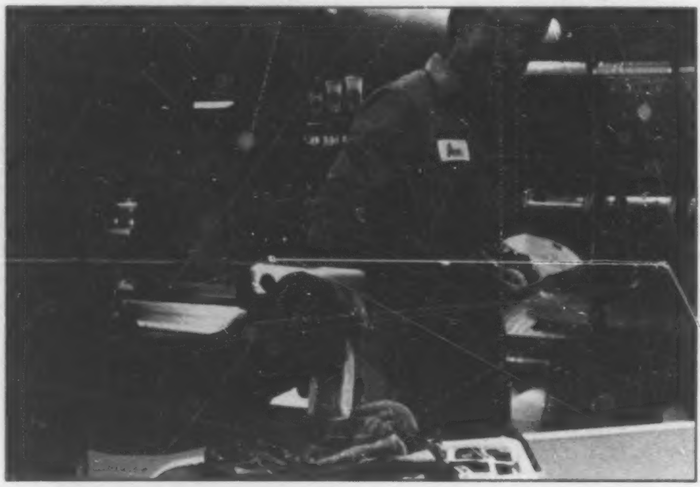
Some retail feeders are testing the waters with fast-food companies. McCrory Stores, headquartered in York, Pa., is talking with nationally and regionally known fast-food chains about franchise opportunities.

C-stores also have been experimenting with fast-food chains. Circle K Corp. has been working with Dunkin' Donuts, as has 7-Eleven. Joint-venture tests also have been conducted with Hardee's, Winchell's Donuts and Church's Fried Chicken.

Setting their sites for growth, the venture of Church's and 7-Eleven stores was not about dividing dollars but about the fact that there are convenience stores in a market already saturated with fast-food units.

Retailers across the board sometimes have trouble justifying space for foodservice. With their primary source of income stemming from the sale of retail items, foodservice space is usually limited.

7-Eleven's deli sandwiches anchor its foodservice program.



Convenient Food Marts, Rosemont, Ill., requires ovens for its 10-store test of a fresh muffin program. The muffins are made from frozen dough that is baked on-premises.

The Works at 7-Eleven stores is the marriage of two concepts: a fast-food restaurant prototype and a self-service condiment bar with 16 different toppings for hamburgers and hot dogs.

Driver-Guide, computerized directions-vending device is new for 7-Eleven.

400: RETAIL/C-STORES

C-stores are adding breakfast, while retailers are experimenting with takeout options.

LEADING CONVENIENCE-STORE COMPANIES

1 7-ELEVEN
The Southland Corp. (23)
Sales: 828.8* Units: 7,000**

2 CIRCLE K CORP. (97)
Sales: 190 Units: 3,600**

3 CONVENIENT FOOD MARTS (215)
Sales: 72.5* Units: 1,310

LEADING RETAIL COMPANIES

1 CARSON PIRIE SCOTT & CO. (44)
Sales: 463.2* Units: 281*

2 K MART CORP. (70)
Sales: 274.5* Units: 1,559

3 F.W. WOOLWORTH CO. (99)
Sales: 187* Units: 1,050*

4 DAYTON HUDSON DEPARTMENT STORE CO. (199)
Sales: 78 Units: 339**

5 MAY DEPARTMENT STORES (231)
Sales: 65.8* Units: 394**

6 McCRORY STORES (274)
Sales: 52 Units: 327**

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7-ELEVEN $828.8MM*

It was a busy year for Southland Corp., 7-Eleven's parent company. The company's founders staged a leveraged buyout and have since been selling various divisions of the firm as well as hundreds of convenience store outlets—most of which were bought by other c-store operators—to pay off debt. The aim, of course, is to turn full attention to running the country's biggest chain of convenience stores.

The chain is also one of the most innovative in c-store foodservice. 7-Eleven pioneered fresh-made deli-style sandwiches in its segment: 57% of its stores now serve sandwiches, which are complemented with self-serve condiment bars. About 85% of the stores offer hot dogs and nachos. Burgers, assorted hot sandwiches and pastries are sold at 37% of the company's stores. Soup-to-go and pizza also are available at selected stores. Last year, sandwiches accounted for 8.4% of sales at 7-Eleven stores, soft drinks, 10.7%, and baked goods, 3.3%.

The sale of stores resulted in the demise of the chain's presence in Alabama, Arkansas, Georgia, Louisiana and South Carolina. Despite the loss of those markets, chain executives say the company is poised for growth. Most of the stores are located on the best sites in town.

CIRCLE K CORP. $190MM**

Although its foodservice sales are only about one-quarter those of 7-Eleven's, Phoenix, Ariz.-based Circle K is quickly gaining on the c-store giant. The company purchased 473 outlets from 7-Eleven earlier this year.

Circle K continues its joint venture with Dunkin' Donuts. More than 400 units are involved. The Thirst Buster Fountain drink continues to be a successful promotion. Future menu considerations are roast beef and Cheddar cheese sandwiches.

DAYTON HUDSON $78MM**

Dayton Hudson's approach to foodservice calls for combining activities with food for a visible point of difference. This attitude may be the reason the company saw a 20% jump in foodservice sales last year.

At Dayton, foodservice is always on the pulse of what is happening in the total marketplace. The company has incorporated trendy quick-service and self-service concepts as well as menus with a healthful slant.

The Sky Room comprises six quick-service concepts in what used to be a sit-down restaurant. Each concept is self-sufficient. There is no wait staff. A musician plays a grand piano, lending an air of elegance and helping hurried shoppers slow down and relax. Sales in the space have jumped 60% since the conversion.

Dayton's sit-down restaurants list calorie counts for selected menu items, an idea very popular with customers. Also on the menu are quick-service items and a guarantee that the patron will be out of the restaurant in 20 minutes. Everything is made to order.

CONVENIENT FOOD MARTS $72.5MM*

This company expands its offerings according to customer demand. Ten stores are testing fresh-baked muffins, using frozen dough delivered to the unit and baked on-premises.

Once units are equipped with convection ovens, foodservice options will increase. Other foods under consideration include hot pocket sandwiches, cheese-coated bread sticks and pizza. Another current menu item is the Deli Supreme Sandwich line, which features five types of submarine sandwiches.

McCRORY STORES $52MM**

Neon signs and colorful menu boards bring the customer's eye to the menu selections of JJ's, a quick-serve/self-serve unit. A hot and cold food bar with home-style soup and Mexican foods make up part of the menu.

Hot dogs with a hot and cold fixings bar, pizza (pepperoni, supreme and cheese varieties), stromboli, ice cream, beverages and hot pretzels round out the menu.

At high-traffic locations, McCrory is looking into becoming a franchisee of a well-known fast-food chain.

—Kathleen Marshall

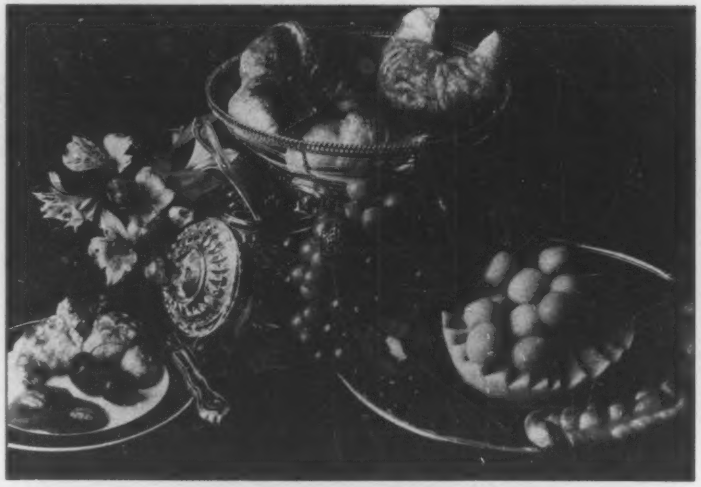
400: HOTEL DINING

MAKING ROOM FOR RESTAURANTS

Whether guests want a five-course meal or a sandwich from a takeout counter, hotels aim to please.

Increasingly, hotels are tailoring food-and-beverage operations to the markets they want to attract and bring back for repeat visits. Rodeway, for example, weaves food and beverage into travel plans for distinct groups: business travelers, vacationers, senior citizens, and government or military employees.

There's still a market for Sheraton's elegant display.



Interstate Hotels Corp., a Marriott franchisee, tried several flashy promotions designed to lure families into its restaurants, but these budget-minded customers continued to head elsewhere for meals. What worked for this market was a moderately priced prime-rib buffet with a salad bar and two alternative hot entrees. The buffet increased the average check by 13%, from $11.50 to $13.

To serve first-class business travelers, Hilton and Sheraton have set aside floors or towers as "hotels within hotels." Amenities can include a butler who will unpack customers' clothes, arrange for a limousine and awaken them with coffee or tea.

Many hotels are finding that local office workers and residents will flock to takeout counters and informal cafes. Chicago Hilton and Towers' Fast Lane Deli has an express lane for hungry visitors short of time. In other cases, convenience stores, self-cashiering by servers, 24-hour room service, and in-room drink and snack bars please customers on the run.

Even the all-suites and economy hotels are responding to guest demands for convenient food-and-beverage service. Rodeway tries to locate new hotels near full-service restaurants, and its new design includes a multipurpose space that is used as a breakfast bar, atrium and conference room.

In making up their menus, too, hotel restaurants are guided by the tastes of their clienteles. One hotel switches its emphasis from red meat to seafood, while another brags about its new 42-ounce porterhouse steak.

Hotel restaurants are still gravitating to American cooking, and often their dishes are specific to the locale. The chef at the Holiday Inn-JFK has created Long Island specialties such as Bay Scallops a la Peconic to go with Long Island wines

400: HOTEL DINING

LEADING HOTEL COMPANIES

1 THE SHERATON CORP. (15)
Sales: $1,391.2MM Units: 1,555

2 HOLIDAY CORP. (16)
Sales: $1,386MM* Units: 1,917*

3 HILTON HOTELS CORP. (21)
Sales: $970MM Units: 1,185

4 HYATT HOTELS CORP. (29)
Sales: $726.4MM* Units: 390**

5 MARRIOTT HOTELS & RESORTS
Marriott Corp. (4)
Sales: $722.2MM* Units: 534*

6 RAMADA INNS (33)
Sales: $657.2MM* Units: 802

7 INTER-CONTINENTAL HOTELS CORP. (41)
Sales: $490MM* Units: 300*

8 QUALITY INNS INTERNATIONAL
Manor Care Inc. (48)
Sales: $336MM Units: 778*

9 BALLY MANUFACTURING (113)
Sales: $164.2MM* Units: 29*

10 HYATT INTERNATIONAL (116)
Sales: $160MM Units: 200**

11 RADISSON HOTELS CORP.
Carlson Cos. (31)
Sales: $158MM Units: 316**

12 STOUFFER HOTELS
Nestle Enterprises Inc. (78)
Sales: $155.5MM Units: 108

13 CAESAR'S WORLD INC. (136)
Sales: $130MM Units: 34

14 RED LION (139)
Sales: $128.5MM Units: 113

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Weekend packages and fantasy resorts make food part of a total experience.

for an "I Love New York Spring Wine Festival."

Nutrition-packed menus are another enduring interest of hotel restaurants. Ritz-Carlton and Doubletree added menu items approved by the American Heart Association, while Sonesta's new hotel on the West Coast of Florida will devote an entire restaurant to spa cuisine.

THE SHERATON CORP. $1,391.2MM

Proclaiming itself as "leader of the second generation of all-suites," Sheraton has incorporated a flexible lounge/restaurant area and convenience store into four alternative designs. Microwaves and coffee makers have become standard room equipment in these properties.

Noting a trend toward short, frequent vacations, Sheraton introduced its "Breakations" in non-resort properties; for as little as $219, guests get two nights in a suite, champagne upon arrival, a continental breakfast on Saturday and Sunday brunch. Sheraton's summer family program lets two children per family sleep free, plus feeds them a hearty breakfast.

Workshops on the art of sushi-making and the Japanese tea ceremony will be available in a new hotel adjacent to Tokyo Disneyland Park. Sheraton will also introduce theme parties to Japan: Shogun or Samurai gatherings, complete with traditional costumes, could become the rage.

HYATT HOTELS CORP. $726.4*MM

In the fantasy resorts that are the focus of Hyatt's expansion plans, food and drink are part of a total experience. A case in point is the Hyatt Regency Scottsdale (Ariz.), which brings "a touch of Venice to the desert." After dining on fried calamari and amaretto cheesecake at Sandolo, the hotel's casual Italian restaurant, guests can ride in a gondola at the nearby "water playground."

Madison's Restaurant in the Hyatt Deerfield (Ill.) has more modest ambitions. Here, typical dishes are fajitas, skillet pizza topped with feta cheese and sun-dried tomatoes, and a house salad with Gorgonzola dressing.

To accommodate Jewish business travelers, the Hyatt Regency Chicago offers kosher menu selections in all five restaurants or through room service.

RADISSON HOTELS CORP. $158*MM

Radisson launched a national promotion, called "Food and Wine: California

Denny's
DAYS INN

Executives dine in Radisson's boardroom suite (l.); Denny's moves into Days Inn (below).

400: HOTEL DINING

LEADING HOTEL COMPANIES

15	**DAYS INNS OF AMERICA (14)**	**Sales: $125MM**	**Units: 384**
16	**OMNI HOTELS CORP. (154)**	**Sales: $116.8MM**	**Units: 80***
17	**RODEWAY INNS INTERNATIONAL (163)**	**Sales: $105MM**	**Units: 159**
18	**LOEWS HOTELS (187)**	**Sales: $86.2MM**	**Units: 74**
19	**FORTE HOTELS INTERNATIONAL (191)**	**Sales: $83.8MM***	**Units: 83***
20	**RESORTS INTERNATIONAL INC. (204)**	**Sales: $77MM***	**Units: 24***
21	**PRINCESS HOTELS INTERNATIONAL (208)**	**Sales: $75.7MM**	**Units: 33**
22	**PRIME MOTOR INNS (212)**	**Sales: $74MM**	**Units: 70**
23	**SUMMA CORP. (220)**	**Sales: $70.2MM***	**Units: 48***
24	**FAIRMONT HOTEL CO. (233)**	**Sales: $65MM**	**Units: 21**
25	**HELMSLEY HOTELS (248)**	**Sales: $59.3MM***	**Units: 66***
26	**DEL E. WEBB HOTELS (250)**	**Sales: $58MM****	**Units: 16**
27	**THE REGISTRY HOTEL CORP. (255)**	**Sales: $56MM**	**Units: 45**
28	**DOUBLETREE HOTELS (262)**	**Sales: $55MM**	**Units: 70**

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Omni settles for a multipurpose restaurant, while Denny's moves inside at Days Inn.

Style," to celebrate the marriage of California wines and food. Radisson restaurants served the wines of three award-winning Napa Valley vintners, while chefs developed dishes using authentic California ingredients.

The program included seminars for employees on California wines, serving techniques and the pairing of fine wines with food. An incentive program helped spark employees' enthusiasm.

In conjunction with the promotion, Radisson sold *Star-Spangled Cooking: A Food Lover's Tour of America*. Proceeds were donated to the United Cerebral Palsy Association, of which Radisson is a corporate sponsor.

DAYS INN OF AMERICA INC. $125*MM

By converting its restaurant to a Denny's, The Days Inn University Center in Columbia, Mo., quadrupled sales and provided a model for collaboration between hotel and restaurant chains. The restaurant has a separate outside entrance, but can also be reached from the Days Inn lobby.

Brock Hotel Corp. (recently renamed Integra), which manages the property, looked at a variety of potential restaurant partners before settling on Denny's. The entire management staff of the Columbia Days Inn underwent a six-day training program with Denny's representatives; because the hotel will operate as a Denny's franchisee, they cooked, served and ate every item on the menu.

Decorated in tones of peach and teal, the Denny's interior departs from the chain's usual decor, but coordinates well with the appearance of the recently remodeled Days Inn.

OMNI HOTELS CORP. $116.8MM

Omni's distinctive food-and-beverage promotions continue; 1988 began with a samba beat and tribute to "The Gold Cuisine of South America." Exotic Brazilian fare included Sopa de Mandioca, a home-style soup.

Catering to business travelers, Omni's Gavel Service guarantees the success of meeting meal functions. If a private group meal is not prepared to specifications or not served at the right time, the price is cut. City 'scapes, Omni's version of the weekend getaway, seeks to keep urban hotels as busy on Saturday and Sunday as during the week.

Last year the Omni International Hotel in St. Louis changed the name of its fine-dining restaurant from The American Rotisserie to The Sea Grill. Although veal and prime rib are still on

Convenience-minded customers can stop by the food court (l.) in a Del Webb casino-hotel or the bakery counter (below) in an Omni hotel.

400: HOTEL DINING

LEADING HOTEL COMPANIES

29 AMFAC RESORTS INC. (286)
Sales: $47.9MM* Units 30*

30 THE BOYD GROUP (288)
Sales: $47.7MM Units: 26

31 ADAM'S MARK HOTELS (294)
Sales: $46MM Units: 20

32 POINTE RESORTS (295)
Sales: $46MM Units: 10

33 BEACON HOTEL CORP. (319)
Sales: $40MM Units: 20

34 SONESTA INTERNATIONAL HOTELS CORP. (329)
Sales: $39MM* Units: 26

35 WRATHER PORT PROPERTIES CORP. (328)
Sales: $39MM* Units: 53

36 HORIZON HOTELS LTD. (332)
Sales: $38.9MM Units: 21

37 TREADWAY INNS (358)
Sales: $35MM Units: 40

38 ATLAS HOTELS INC. (362)
Sales: $34.2MM* Units: 22

39 HOSPITALITY INTERNATIONAL INC. (371)
Sales: $33MM* Units: 250*

40 J.P. HOTELS
W.B. Johnson Properties Inc. (133)
Sales: $31.8MM Units: 20

41 COX HOTEL CORP. (393)
Sales: $30MM Units: 23

42 BROCK HOTEL CORP. (95)
Sales: $15.7MM Units: 46

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Banquet service and diner concepts are just two ways to boost sales volume.

the menu, the spotlight falls on seafood and fresh fish.

PRIME MOTOR INNS $74MM

Prime's low-cost conversion of aging orange-roofed Howard Johnson units in Cocoa Beach, Fla., and South Plainfield, N.J., to an upbeat diner concept has made sales boom. Four similar conversions are planned for 1988.

Herbie K's sends customers on a nostalgic revisit to the '50s. Entrees such as stuffed peppers and Yankee pot roast are served with "frozen vegetables and real mashed potatoes," while waitresses greet customers with "What are you going to have, hon?" True to the diner tradition, Herbie K's stays open 24 hours a day, beginning breakfast service just after midnight.

Typically, guests staying several nights will visit the hotel's fine-dining restaurant and upscale lounge, in addition to Herbie K's. The Herbie K restaurants attract many local customers and guests from nearby hotels. The average check is only $5, but a lounge and quick table turnover help keep revenues high.

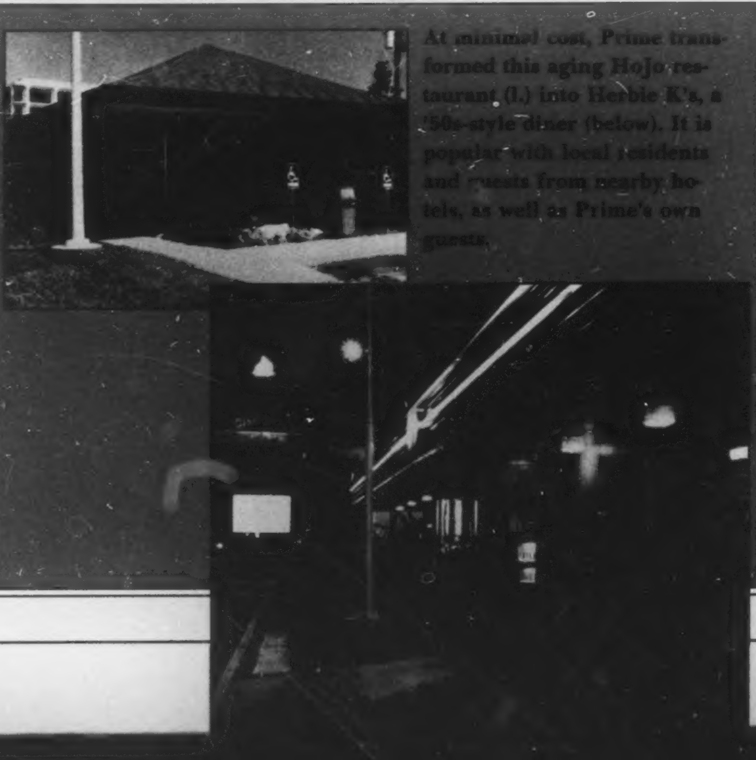
ATLAS HOTELS INC. $34.2*MM

Shrimp prepared in the style of Puerta Vallarta is a typical dish on the menu of The Hacienda. Located in the King's Inn in Mission Valley, Calif., the restaurant specializes in Mexican seafood. A cozy English atmosphere reigns in the same hotel at the King's Grill, where steak-and-kidney pie and other pub food are a hit.

Stars, the restaurant in Washington State's new Inn at Semi ah Moo (an Indian name) serves salmon dishes and other delicacies of the Pacific Northwest. Packer's, the resort's oyster bar, treats customers to such local seafood as Komoto oysters and Samish mussels.

Convinced that preparing a sauce for 500 is as easy—and much more profitable—than making it for 25, Atlas plans to promote its banquet business through preparing lighter, more appealing food. As in the restaurants, banquet menus show a new emphasis on foods with reduced fats and more fiber and protein. Meetings are enhanced by "nutrition breaks" at which bran muffins and fruit are served.

—Toni Lydecker



At minimal cost, Prime transformed this aging HoJo restaurant (l.) into Herbie K's, a '50s-style diner (below). It is popular with local residents and guests from nearby hotels, as well as Prime's own guests.

POURING FOR PROFITS

Special events, premium products and lunch promotions keep alcohol sales at a respectable level.

Yes, there are "socially acceptable" ways to boost beverage alcohol consumption, and members of the "400" utilized a number of them. The most successful in terms of both financial results and community approval were the ideas and events that increased head counts, but did so by positioning beverages as incidental to a social gathering. Enticing patrons toward higher-quality products also was approved as well as effective. So were add-on sales such as wine with lunch.

Good financial results, however, meant maintaining volume in the face of overall decline in consumption. Increases in dollar volume from beverages were rare, and increases in the liquor percentage of the total sales dollar were even rarer. The trend was noticeably weaker in nightclubs and entertainment places, where beverages bring in the largest share of the revenue dollar, than in restaurants, where food accounts for 60% to 80% of sales.

Every successful alcohol-sales program emphasized good times and downplayed drinking. Free food was sometimes the attraction, but more often it was an entertainment idea or a holiday theme. Not one operator interviewed by *R&I* tried to combat the slump in sales with moves that could appear to encourage overimbibing.

Virtually all food and beverage executives take a calm view of the moderate consumption trend, and many indicate they approve it. There is also the feeling that alcohol sales bottomed out in 1987, and the nation is unlikely to see a further decline in per capita consumption.

Reports on the 1987 sales mix show no abrupt change in drink preferences. Among beers, imports continued in favor and drafts remained popular where well-merchandised. Boutique beers remained strong in 1987, perhaps because of mystique. There is little evidence of a resurgence in brown goods, although some operators believe increased promotions would increase sales. Wines, especially light ones, remain very popular. Perhaps the clearest trend of 1987 was that costs continued to inch ahead. Price increases of 5% to 10% helped many

Alcohol sales have bottomed out.

to protect margins, but no one reports that beverage profits improved last year.

S&A RESTAURANT CORP.

The percentage of patrons who order drinks is about the same as in former years, but these patrons don't follow the first drink with a second, third and fourth, says Lane Cardwell, senior vice president of strategic planning. In the 200-plus Bennigan's units, beverages accounted for 31% to 32% of total revenues, down slightly from the preceding year. In Steak & Ale units, the 20% beverage share was about even with 1986.

Cardwell suggests the company's beverage promotion policy is in the middle of the road and indicates he would like to keep it that way. Promotional efforts include suggesting drinks to match featured foods, the summer push on tall drinks and holiday reminders of traditional favorites. In 1987, S&A noted the continuing decline in brown goods and the increase in beer orders.

RESTAURANTS UNLIMITED

Demographics and the behavior trend may work in favor of individually themed restaurants the next few years, believes Rick Gibboney, vice president of marketing. He sees better times ahead because the population bulge is moving upward: Restaurants with special appeal to the over-30 sector will have more potential customers. This same factor may have been why last year's beverage revenues in Restaurant Unlimited's 18 dinner houses were even with 1986, thus halting a slide seen the several previous years.

Gibboney's forecast is that there will not be a significant change in per capita order of drinks, but there will be an overall increase in patronage.

Virtually no discounted prices on drinks or special promotions of beverages are part of the Seattle-based group's corporate policy, he says.

LETTUCE ENTERTAIN YOU ENTERPRISES

"If we could increase total volume one way or the other, we'd surely choose food over beverages," declares P.J. Clarke's Frank Conaty. P.J.'s 1987 revenue percentage from liquor sales, 63%, was substantially higher than other Lettuce locations, because the restaurant is in the heart of Chicago's singles'-bar area.

Reflecting Lettuce corporate policy, P.J.'s engaged in no promotions designed to boost beverage volume other than an "almost compulsory" St. Patrick's Day party. The policy has continued in the current year, and beverage volume has been about even with 1987, reports Conaty. However, the manager also says he hopes to launch some year-round specials from which the revenues would go to some local charity rather than the Lettuce corporate coffers. It probably will be an offer of micro portions at macro prices of a rare cognac or Armagnac, intended both as a conversation piece and fund-raiser.

Cost-saving measures barely pro-

LEADING COMPANIES IN ALCOHOL SALES

1 HILTON HOTELS (21)
Sales: $291MM Units: 1,185

2 S&A RESTAURANT CORP.
Pillsbury Restaurant Group (3)
Sales: $260MM Units: 383

3 TGI FRIDAY'S
Carlson Cos. (31)
Sales: $123MM Units: 128

4 CHI-CHI'S (155)
Sales: $89.1 Units: 201**

5 McFADDIN VENTURES (211)
Sales: $38.4MM Units: 37

6 OMNI HOTELS (154)
Sales: $28.8MM Units: 80*

7 RED ROBIN INTL. (190)
Sales: $25MM Units: 47

8 LOEWS HOTELS (187)
Sales: $23MM Units: 74

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400: LIQUID ASSETS

Increases in traffic counts, not the numb[illegible] of drinks ordered, will boost beverage sales.

LEADING COMPANIES IN ALCOHOL SALES

9 BENIHANA OF TOKYO (196)
Sales: $17.2MM Units: 48

10 RESTAURANTS UNLIMITED (195)
Sales: $17MM Units: 18

11 EL CHICO (155)
Sales: $16MM Units: 98

12 C.A. MUER CORP. (223)
Sales: $15MM Units: 14

13 LETTUCE ENTERTAIN YOU ENTERPRISES (198)
Sales: $15MM Units: 31

14 TRANS/PACIFIC RESTAURANTS (185)
Sales: $14.6MM Units: 54

15 SEA GALLEY (268)
Sales: $12MM Units: 50

16 HARD ROCK CAFE (300)
Sales: $11.7MM Units: 6

17 FUDDRUCKERS (138)
Sales: $10.4MM Units: 116

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tected gross margins, meaning profits were even with the previous year, he says. One of the moves was to give more careful attention to suppliers' special price offers. In particular, wines available on suppliers' specials proved a way to offset higher average purchase prices. P.J.'s also reduced its selection of imported beers, which carry lower margins.

RADISSON HOTELS

The drink count was down from the prior year, but premium-brand and higher-priced wines were up, resulting in increased dollar volume, says Don Clawson, vice president of food and beverage. Wine was the category advancing the fastest, much of it due to the service staff's suggestion of the right bottled wine with dinner or the lunch-time glass for the guest who foregoes anything stronger.

Today's conservative milieu challenges Radisson as well as other hospitality companies, Clawson says, but the hotel chain's typical guest—a professional man in the upper-middle income bracket—probably is more responsive to service attention than is the case with the dining group in a midpriced restaurant. Trading up is emphasized, with the service staff coached more than in former days concerning premium beers, vintage wines and the wide variety of after-dinner drinks. Overall prices were raised less than 5%.

RED ONION

In the nightclub world, something has to move all the time. Varied promotions ranging from a Mexican Independence Day feast to big-band bashes, fashion shows, lingerie nights and liberal spending for live music were among Red Onion's 1987 traffic builders.

While not all promotions are equal, concedes a spokeswoman, the bottom line is that nearly any activity, even if the basic idea is somewhat zany, is better than "No Show Tonight."

Not surprisin[illegible] considering the Mexican theme [illegible]hese Southern California clubs, imported beers sell well. Calls for wine also were up in 1987, but mixed drinks—even tequila-based ones—showed no increase.

—*William Cahill*

Alcohol accounts for 63% of sales at Lettuce Entertain You's P.J. Clarke's.

400: EDUCATION

BRAIN FOOD

Innovative programs stimulate nutrition education programs and student participation.

For 20 years, schools have been working on nutrition education programs. In 1987, that emphasis was even stronger, and cooperative efforts between educators and foodservice directors helped improve the quality of the programs.

Lunchroom programs have moved to the classroom. Ethnic meals are being tied to geography lessons, stimulating both the learning process and foodservice participation. Response to programs such as these has been tremendous, according to Pat Bayer, executive director of the American School Food Service Association. "They are the only good nutrition projects with practical aspects that are being taught today," says Bayer.

The offer vs. serve revolution continues across the country. Operations are further divorcing themselves from Type A menus. Giving students more choices reduces waste, increases participation and motivates foodservice directors to develop more innovative products for serving lines. Providing more choices also helps improve the students' perception of the program's quality.

Some schools, however, have reintroduced traditional menu items such as beef stew. Foodservice directors suspect that old standbys are popular again because children get pizza, burgers and chicken from their parents, who pick up the food on the way home from work. Meat loaf, stews and spaghetti provide a change of pace for students. Even macaroni and cheese, which no one would touch a few years ago, is being requested again.

Breakfast, seen as an essential offer in school foodservice programs, continues to run into roadblocks. Too many administrators believe breakfast takes valuable time away from classroom work in an era when the school day is getting shorter. But at the same time, Congress has increased funding for breakfast programs, and states such as Florida have mandated breakfast in all school districts.

Other trends at school include growing use of breakfast, salad and potato bars. Also, catering is a growing market, especially in smaller towns where the school provides the only facility large enough to handle parties of 25 or more.

Schools continue to emphasize nutrition education.

400: EDUCATION

EDUCATION FOODSERVICE LEADERS

1 U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICE (5)
Sales: $3,095.4MM† Units: 90,180

2 NEW YORK CITY BOARD OF EDUCATION SCHOOL FOOD & NUTRITION SERVICES (76)
Sales: $257.6MM† Units: 1,207

3 LOS ANGELES UNIFIED SCHOOL DISTRICT (111)
Sales: $167.7MM† Units: 574

4 CHICAGO BOARD OF EDUCATION DEPARTMENT OF SCHOOL FOOD SERVICES (140)
Sales: $128.2MM† Units: 585

5 HOUSTON INDEPENDENT SCHOOL DISTRICT (266)
Sales: $54.6MM† Units: 225

6 DADE COUNTY PUBLIC SCHOOLS (277)
Sales: $50.9MM† Units: 288

7 SCHOOL DISTRICT OF PHILADELPHIA (308)
Sales: $44MM† Units: 260

8 STATE OF HAWAII, DEPARTMENT OF EDUCATION, SCHOOL FOOD SERVICES (316)
Sales: $42MM† Units: 226

9 SCHOOL BOARD OF HILLSBOROUGH COUNTY (362)
Sales: $34.7MM† Units: 143

10 DALLAS INDEPENDENT SCHOOL DISTRICT (369)
Sales: $33.6MM† Units: 184

11 MICHIGAN STATE (387)
Sales: $30.8MM† Units: 43

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Cafeteria renovation provides Chicago students with an inviting "fast-food" environment.

NEW YORK CITY BOARD OF EDUCATION $257.6MM†

The system's "Join the Breakfast Club" promotion using Walt Disney cartoon characters to inform students and parents about breakfast service has been very successful. During the campaign, breakfast participation increased 25,000 meals per day.

Items added to the menu in 1987 included batter-fried corn nuggets and vegetable sticks, fruitcake, croissant pizza and pasta salads.

While pizza and chicken remain menu favorites, the department is testing turkey sausage patties, Texas-size french toast, precooked bacon and cherry spread (processed from commodity cherries, figs and raisins).

LOS ANGELES UNIFIED SCHOOL DISTRICT $167.7MM†

The outdoor dining areas at many locations are being upgraded so personnel can continue to serve fast-food favorites such as tacos and pizza.

Turkey burritos and fajitas are being tested as the district tries to satisfy students' strong interest in Mexican food.

To thank its staff, the district creates a special "Staff Appreciation Day" adult menu once a year.

CHICAGO BOARD OF EDUCATION $128.2MM†

In attempts to create a more appealing environment, two dining rooms have been renovated with booths and tables with a look similar to a fast-food operation.

The usual student favorites (pizza, chicken and burgers) remain the top sellers. Meanwhile, cracked-wheat dinner rolls, onion rings, salsa sauce and other seasoning blends have been added to the menu.

MICHIGAN STATE UNIVERSITY $30.8MM†

While Mexican entrees are extremely popular, lighter and healthful items are being tested and added to the menus. Numerous theme dinners emphasized nutrition awareness and food appreciation. Small satellite snack bars were opened in academic buildings.

A residence hall dinner honoring the the school's 150th birthday won an award in the National Association of College and University Food Services menu contest in 1987.—***Jeff Weinstein***

THE BREAKFAST

400: MILITARY

THE BIG CHOW LINE

Getting troops to eat healthful meals is just one battle: Competition from fast food is another.

Military foodservice is waging a struggle that seems to have as many battlefronts as World War II.

The front where the fighting has been most fierce is against the combined forces of fat, cholesterol and sodium. In accordance with a government directive to bring military foodservice in line with the U.S. Surgeon General's dietary guidelines, military dietitians are stocking milk dispensers with 2% instead of whole milk; serving fewer fried or creamed potatoes and more baked potatoes; emphasizing baked or broiled chicken and fish, de-emphasizing beef, fried chicken and fried fish; decreasing portion sizes for meat; and reevaluating recipes to lower calories and sodium figures. Breakfast bars, with cereal, fruit and yogurt, help lure troops away from breakfast meats and eggs.

The Army's breakfast bar offers yogurt, fruit and cereal.

More emphasis on education for both foodservice directors and the troops themselves has helped win acceptance of non-traditional chow lines.

More sophisticated palates and the lure of off-base fast-food restaurants are another major foodservice challenge. The new, more healthful menus tend to list more spicy, ethnic items such as Mexican fajitas, vegetarian lasagna or Mongolian barbecue. Military dining halls and snack bars continue to serve untold millions of hamburgers each year, and some branches have developed their own fast-food restaurant concepts or become franchisees of well-known companies such as McDonald's and Burger King. Other branches are remodeling tired-looking facilities.

Most branches are working toward increased computerization of both accounting and menu analysis, with the U.S. Navy Food Service leading the way.

Personnel changes reflect varying philosophies. At U.S. Marine Corps Food Service and Subsistence Section and the U.S. Coast Guard, the byword is "civilianization," with complete operations contracted out; the U.S. Naval Medical Command, on the other hand, worked to integrate enlisted foodservice personnel into operations previously run by civilians.

400: MILITARY

MILITARY FOODSERVICE LEADERS

1 U.S. NAVY FOOD SERVICE SYSTEMS (24)
Sales: $810MM† Units: 684

2 U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTERS (26)
Sales: $766.4MM† Units: 626

3 U.S. ARMY TROOP SUPPORT AGENCY (32)
Sales: $698.2MM† Units: 1,074

4 ARMY AND AIR FORCE EXCHANGE SERVICES (37)
Sales: $544.6MM† Units: 2,755

5 U.S. AIR FORCE OPEN MESS SYSTEM (56)
Sales: $331MM† Units: 262

6 U.S. AIR FORCE (57)
Sales: $319.5MM† Units: 669

7 U.S. MARINE CORPS. (84)
Sales: $231.8MM† Units: 109**

8 U.S. ARMY OFFICERS' AND ENLISTED CLUB SYSTEM (109)
Sales: $168.6MM† Units: 261

9 NAVY RESALE AND SERVICES SUPPORT OFFICE (129)
Sales: $138.9MM† Units: 650

10 U.S. COAST GUARD (317)
Sales: $41.8MM† Units: 506

11 U.S. MARINE CORPS., MILITARY CLUBS BRANCH (328)
Sales: $39MM† Units: 163

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Military foodservice faces competition with breakfast bars and on-base Burger Kings.

U.S. NAVY FOOD SERVICE $810MM

The Navy's 684 general messes are moving into the 21st century with implementation of the most sophisticated computer programming available to foodservice personnel anywhere.

A software program for nutrient data analysis is now operational. The software is capable of machine-reading any menu or recipe submitted to it. It can do ingredient searches or nutrient analyses, and it keeps track of how frequently a recipe is used.

U.S. ARMY COMMUNITY SUPPORT $766.4MM

The Army is spending $124 million this year to spruce up its 626 officers', NCO and combined clubs worldwide in an effort to make clubs more competitive with dining and drinking establishments off-base. Some facilities have received only face lifts; others have been completely gutted and rebuilt.

Food has become more contemporary, too. Clubs are serving more fresh foods, less frozen or canned foods; fewer marbled steaks and more light entrees. But the customer-driven Army clubs are not about to push healthful eating on those who prefer the old ways: Prime rib is still on the menu.

U.S. ARMY TROOP SUPPORT AGENCY $698.6MM

The Army has taken the war on cholesterol, fat and sodium to a new battlefield: breakfast. A "healthy breakfast bar" concept, which was tested last year, is now being implemented in most of the 1,074 dining halls throughout the system.

New Army master menu and new menu plans for Army reserves and National Guard troops include less protein as well as less cholesterol, fat and sodium.

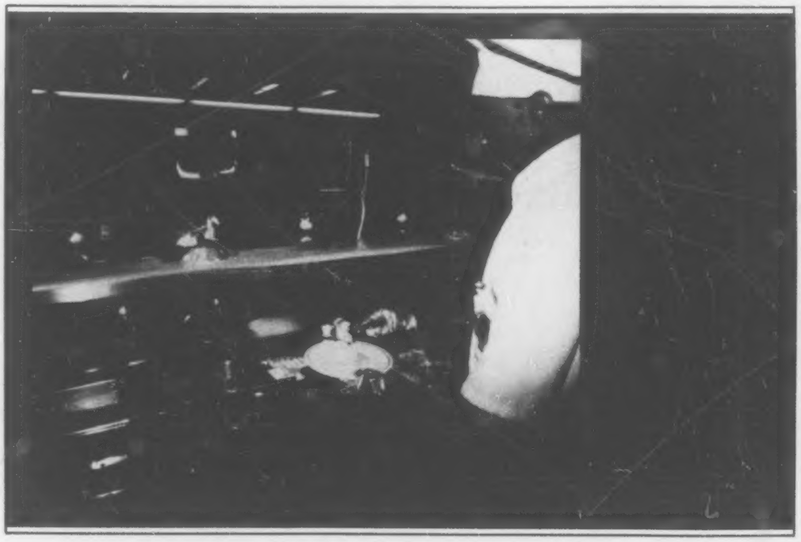
ARMY & AIR FORCE EXCHANGE $544.6MM

The Army and Air Force Exchange Service, which operates 2,755 snack bars on Army and Air Force bases around the world, is continuing to move in the direction of theme restaurants with identifying names, menus and decor packages.

Anthony's Pizza is an internal franchise operation; the concept, with image package and standardized menus, was developed by the AAFES, which certifies individual outlets.

Baskin-Robbins ice cream stands and, on overseas bases, Vie de France baked-goods counters are operated by license.

—*Rita Rousseau*



400: HEALTH CARE

TAKING CARE

Health-care chains took a beating last year, and foodservice felt the effect of tightening belts.

Most for-profit hospital chains—the big players in this market—spent a great deal of their energies last year shoring up their companies' finances. Rising labor costs and some imprudent acquisitions (and at too quick a pace) had wreaked havoc with bottom lines and shareholder dividends.

This rapid expansion also had left many corporate staffs stretched too thin. Too few controls over individual facilities caused quality to falter in more than one case. For many companies, push finally came to shove. They cut dollars wherever dollars were found, cut staff positions and closed facilities. Hospital Corp. of America, for instance, sold 104 facilities to employees; American Medical International followed suit this spring: Employees are scheduled to purchase 37 of the company's health-care facilities this August.

For most of the foodservice employees at these facilities, 1987 was not a very happy year. Staff cuts and declining occupancies reduced the number of meals to be prepared; as a result, foodservice employees were let go.

Even though some choices were cut from patient and employee meals, new menu items were added, though not at the rate they once were. "We've got to keep up with trends," comments one dietitian, "but we certainly aren't testing menu items in the number we used to. I do see a rather subtle encouragement on the part of the higher-ups for us to include more items with low food and labor costs," she continues. "We're lucky that our patients and employees think Mexican and Oriental entrees are terrific, because they'd be getting a lot of them anyway."

Cafeteria at Adventist's Hackettstown Community Hospital in New Jersey.

BEVERLY ENTERPRISES $308MM†

This California-based health-care company, with the majority of its clients residing in nursing homes, generally has found roasted meats such as pot roast and roast beef to be particularly popular with its residents. According to a company spokesperson, clients have pretty much "had their fill" of fish, chicken and pasta.

NATIONAL MEDICAL ENTERPRISES $210MM*

Following current trends, NME is serving more poultry and fish entrees and fewer beef and pork entrees to residents in its 578 facilities, who consumed about 80 million meals last year, an 8% increase over 1986.

UNICARE HEALTH FACILITIES INC. $182MM†

Five menu items particularly popular with residents of facilities owned or operated by this Milwaukee-based company were lemon chicken, hacienda green beans, carrot and apple casse-

400: HEALTH CARE

LEADING HEALTH-CARE COMPANIES

1 BEVERLY ENTERPRISES (60)
Sales: $308MM† Units: 1,052

2 HOSPITAL CORP. OF AMERICA (66)
Sales: $288.8MM** Units: 404

3 VETERANS ADMINISTRATION (74)
Sales: $264.3MM† Units: 162

4 NATIONAL MEDICAL ENT. (92)
Sales: $210MM* Units: 578

5 UNICARE HEALTH FACILITIES INC. (102)
Sales: $182MM† Units: 890

6 HUMANA INC. (160)
Sales: $106.4MM† Units: 86

7 ADVENTIST HEALTH SYSTEM (186)
Sales: $86.5MM† Units: 143

8 NATIONAL HERITAGE CORP. (216)
Sales: $71.1MM† Units: 231

9 NYC HEALTH AND HOSPITAL CORP. (239)
Sales: $63MM† Units: 16

10 AMERICAN MEDICAL INTERNATIONAL (255)'
Sales: $56.4MM†* Units: 90

11 U.S. ARMY MEDICAL DEPT. (270)
Sales: $53.5MM† Units: 51

12 MANOR CARE (48)
Sales: $52.6MM†* Units: 144*

13 EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY (306)
Sales: $44.5MM† Units: 195

14 HEALTH CARE & RETIREMENT CORP (369)
Sales: 33.6MM†** Units: 127

Most for-profit facilities create their own menus, even though they are part of a chain.

role, stuffed veal and fish in wine sauce. According to a company spokesperson, chicken items will continue to "lead the pack," but seafood won't be too far behind.

ADVENTIST HEALTH SYSTEM $86.5MM†

The four different divisions of this corporation (determined by location) are operated in slightly different manners. For example, foodservice for the Western division is conducted through a contract management arm of Adventist called Nutri Group. The other three divisions operate in a more conventional manner.

Although there are standard menus for some of the facilities, each unit is allowed to modify menus to take into account local preferences.

Since it is the philosophy of the Adventist Health System to promote wellness and prevent disease, all facilities offer vegetarian cuisine, although most of the operations also offer patients and residents meat options (only about 1% of patients and residents are Seventh Day Adventists). However, almost all the selections at employee cafeterias are vegetarian.

To encourage customers to taste vegetarian selections, the foodservice departments offer a sample plate.

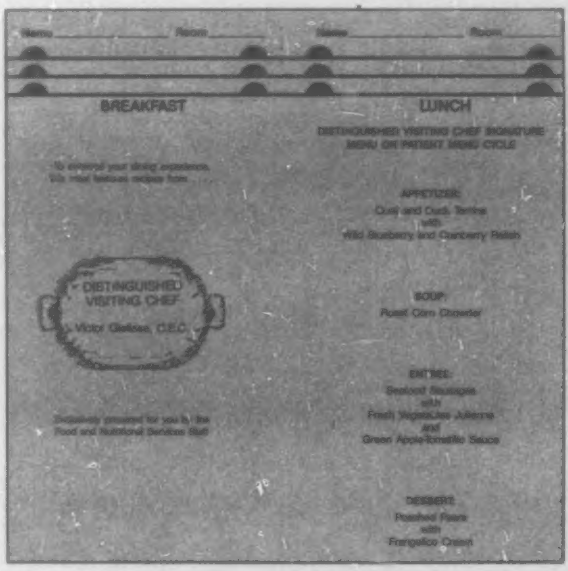
A number of the facilities offer series of hands-on vegetarian cooking classes, which are conducted by dietitians.

At the Florida Hospital Medical Center complex in Orlando, a 1,000-bed three-facility Adventist complex, the foodservice center that prepares meals for all customers is also producing breads for sale to a local grocery chain.

MANOR CARE $52.6MM†*

Menus vary widely at this 144-unit chain, as is often the case with companies operating diverse facilities that are located from one side of the country to the other. Manor Care operations range from deluxe areas within nursing homes (called Williamsburg wings) to more standard operations. The company is trying to use turkey and other lowfat protein in entrees, such as lasagna.

—*Susie Stephenson*



Name ______ Room ______
Name ______ Room ______

BREAKFAST

DISTINGUISHED VISITING CHEF
Victor Gielisse, C.E.C.

Exclusively prepared for you by the Food and Nutritional Services Staff

LUNCH

DISTINGUISHED VISITING CHEF SIGNATURE MENU ON PATIENT MENU CYCLE

APPETIZER:
Quail and Duck Terrine
with
Wild Blueberry and Cranberry Relish

SOUP:
Roast Corn Chowder

ENTREE:
Seafood Sausages
with
Fresh Vegetables Julienne
and
Green Apple-Tomatillo Sauce

DESSERT:
Poached Pears
with
Frangelico Cream

By bringing in visiting chefs from local restaurants, Humana Hospital-Medical City Dallas provides patients with gourmet meals and staff with additional skills.

BROADENING HORIZONS

To differentiate themselves, more aggressive contractors are creating and promoting new menu programs.

How to make *their* company stand out in the crowd—that seems to have been the bottom-line goal of contract companies this year. And, to a large degree, they took basically the same route—creating and promoting signature items that not only showcased their expertise but also helped to keep customer dollars inhouse.

Contractors, like all institutional foodservice providers, recently have been hard-pressed to change the food items they offer their client customers and, in many instances, the facilities, too. Why? Contract companies have been facing mounting competition from such commercial establishments as local convenience stores; cookie and ice cream shops; fast-food chains (which are expanding menus to attract even more customers); low- and midscale restaurants (which have increased their advertising and promotions and, often, are willing to deliver their products); and even supermarkets, which are not only sprouting their own salad bars but offering a plethora of frozen meals that can easily be prepared in on-site microwaves.

The contractors, in many instances, also have been challenged to help clients reduce subsidies. Foodservice, in years past, often was looked upon as a fringe benefit. That is no longer the case. In attempts to reduce overhead and increase profits in these volatile times, companies are putting the squeeze on contractors—to help the companies reduce subsidy payments.

Changing demographics also have played a role, and contractors have tried to adjust by installing more flexible equipment to allow them to modify their services as needed. For instance, as night shifts are reduced and manual foodservice is no longer financially sound, the contract company wants to be the company that provides the vending service.

ARA promotes the myriad services available to accounts.

DELI
EXCHANGE
OPTIONS
The Restaurant Collection

Many also are expanding their bases, realizing changes in economics and populations can have a critical impact on them if they provide foodservice in only one market. For instance, companies that concentrated their business in white-collar industries—thought to be a more reliable B&I market segment than blue-collar—were hard hit following Black Monday when many financial firms merged or slashed thousands from payrolls.

Yet contract management seems ready for change. Customers are willing to pay a bit more for restaurant-style food, whether that be a really good hamburger or an elegant meal, and contract companies are capitalizing on the trend. In many instances, they also are upgrading the decor of dining areas. Says one contract employee, "We're discovering that people want more variety and want nicer places in which to eat. You see the commercial restaurants changing to meet those demands. We are, too."

MARRIOTT CORP. $2,969MM

One of the most innovative and unusual marketing programs introduced by a contract company was implemented by Marriott last year. Called Main Street, the program was held in New York and attended by all the district managers and top corporate staff for the foodservice management group (also attending were vendors). On display were 16 new menu/marketing programs set up in "storefronts" down a "Main Street" in a hotel conference room. Included were such new marketing programs as an oversized, gourmet cinnamon bun concept, gourmet cookies, uniforms and disposable cups. Each storefront had the entire concept on display. If, for instance, a manager was interested in the gourmet cookies, he could see the ovens, display cases and customized cookie bags. The district manager could ask questions of the people who had developed the program and also of those who would provide equipment.

What was particularly unusual about the program was that the concepts were designed to appeal to all market segments. The uniform program, for example, had on display items ranging from safety shoes to managers' attire (suits and ties). Additionally, the programs were all designed by Marriott employees and customized for the company (they were not vendor programs).

District managers could sign up for the program on the spot. During the two-day meeting, 11,000 orders were placed for the 16 programs.

ARA SERVICES $2,813.3MM*

ARA unveiled its Restaurant Collection, which uses modular foodservice equipment to provide a complete restaurant concept for its Business, Convention and Personal Dining Group. Options range from self-service, vending-supported programs to more elaborate dining areas that feature made-to-order sandwiches and grilled foods.

Classic Fare, ARA's off-premises premium retail catering company, continued its strong growth by expanding into six additional cities in 1987. To extend the Classic Fare concept, an executive box-lunch service, with elegant made-to-order box lunches for in-office business functions and luncheon meetings, was introduced.

ARA also installed its "Itza Pizza" and "Gretel's Bake Shop" programs in

LEADING CONTRACT MANAGEMENT COMPANIES

1 MARRIOTT CONTRACT SERVICES
Marriott Corp. (4)
Sales: $2,969MM Units: 2,100

2 ARA SERVICES INC. (7)
Sales: $2,813.3MM* Units: 3,842*

3 CANTEEN CORP.
TW Services (11)
Sales: $1,469MM Units: 2,700*

4 SERVICE AMERICA (19)
Sales: $1,030MM Units: 11,000****

5 MORRISON'S CUSTOM MANAGEMENT
Morrison Inc. (22)
Sales: $417MM Units: 808

6 OGDEN ALLIED SERVICES CORP. (49)
Sales: $388.5MM* Units: 1,725*

7 RESTAURA DINING SERVICES
Greyhound Food Management (52)
Sales: $350MM Units: 450**

8 THE SEILER CORP. (63)
Sales: $299MM Units: 400

9 SKY CHEFS INC. (68)
Sales: $275.8MM† Units: 35

10 DELAWARE NORTH COS. INC. (80)
Sales: $246.8MM* Units: 292

continued on page 202

Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.

400: CONTRACTORS

LEADING CONTRACT MANAGEMENT COMPANIES

11 HARRY M. STEVENS INC. (107)
Sales: $175MM Units: 37

12 SERVICEMASTER CO., FOOD MANAGEMENT DIVISION (112)
Sales: $165MM Units: 235

13 CLUB CORP. OF AMERICA (119)
Sales: $152.9MM* Units: 225

14 FOOD DIMENSIONS INC. (121)
Sales: $148.7MM† Units: 115

15 dāka (126)
Sales: $142.6MM Units: 347

16 THE WOOD CO. (146)
Sales: $120.7MM Units: 194

17 WOM ENTERPRISES (152)
Sales: $118.7MM† Units: 1,140**

18 FOOD CONCEPTS (178)
Sales: $90MM* Units: 720

19 TRUSTHOUSE FORTE FOOD SERVICES INC.
Trusthouse Forte (168)
Sales: $100MM* Units: 321*

20 GUEST SERVICES (202)
Sales: $77.3† Units: 147

21 UNIVERSAL SERVICES INC. INTL. (214)
Sales: $73.5MM Units: 211*

continued on page 204

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Canteen introduced a "Bigger, Better Biscuit" program to raise breakfast sales.

many client locations to compete with commercial restaurants. New bags of Gretel's cookies were introduced on many campuses along with a complete promotional program. In addition to the packaged cookies, a new line of sticky buns and cinnamon rolls was unveiled.

Campus Dining Services also developed its "Pollo Grande" Mexican restaurant concept, creating 25 signature recipes that will be the focal point of the new service.

CDS also fine-tuned a new generation of its popular mobile foodservice carts. In addition to its original "Le Cart" and "Bagel Wagon" programs, new carts are being designed to feature pastries, Mexican food and other items.

One of the major marketing projects of the School Nutrition Services was the formation of the Marketing Advisory Exchange, comprising a cross section of SNS unit and district managers and regional sales people. Better known as MAXX, the group developed the "Guide to Good Times," a collection of 60 proven program ideas to help enhance school foodservice programs.

The Leisure Services division continued to expand its menus at stadiums and arenas to upgrade the image and quality of products offered. At the Anaheim Stadium in California, made-from-scratch cinnamon rolls were a big hit. At the Baltimore Memorial Stadium, spicy smoked sausages and crab cakes were among the fans' favorites.

CANTEEN CORP. $1,469MM

Canteen also introduced a number of signature items to help its clients compete with commercial restaurants. To boost breakfast business, which, the company says, was losing ground to convenience outlets, the division introduced a "Bigger, Better Biscuit" program. By the end of the year, more than 800,000 breakfast biscuits per month were being served in 1,400 accounts.

Another signature item being promoted is Pazzelli's Pizza, now available in about half of the division's foodservice accounts.

The Recreation Division (including accounts at Yankee Stadium and Yellowstone Park) introduced ethnic and regional sausage items to supplement the traditional hot dog, gourmet ice cream and waffle cones, and Pazzelli's Pizza.

SERVICE AMERICA CORP. $1,030MM**

The most significant promotion campaign introduced by the 11,000-unit Service America Corp. was its SPICE program (Special Programs in Culinary Entertainment). According to a company spokesperson, the program has been refined and will run again this year in a

Restaura has hired a chef to help employees present more attractive cafeteria lines and plates.

400: CONTRACTORS

LEADING CONTRACT MANAGEMENT COMPANIES

22 **PROFESSIONAL FOOD SERVICE MANAGEMENT INC. (221)**
Sales: $70MM Units: 132

23 **TRETTCO INC. (237)**
Sales: $63.4MM† Units: 86

24 **VALLEY FOOD SERVICE CORP. (276)**
Sales: $51MM† Units: 105

25 **SANESE SERVICES INC. (279)**
Sales: $50MM Units: 53^{B}

26 **SANDS & CO. (307)**
Sales: $44.4MM* Units: 825*

27 **LACKMANN FOOD SERVICES (313)**
Sales: $42.8MM† Units: 40

28 **SOUTHERN FOOD SERVICE MANAGEMENT (321)**
Sales: $40MM Units: 80**

29 **DIETARY CONSULTANTS (341)**
Sales: $37.4MM†* Units: 66*

30 **CORPORATE FOOD SERVICES INC. (380)**
Sales: $32MM Units: 44

31 **CVI SERVICE GROUP INC. (384)**
Sales: $31.22MM† Units: 52(B)

Note: Numbers in parentheses indicate companies' "400" ranking. If a chain is a subsidiary of a larger company, the parent company and its "400" rank are given. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* estimate; **company est.; †commercial equivalent. ©1988 *Restaurants & Institutions*, a Cahners publication.

Stevens has changed the physical design and traffic flow of sporting-event facilities.

number of its business and industry, college and school accounts. The company also will introduce a "Fitness Fare" program on a market-by-market basis on the East Coast.

The company is testing such new menu items as low-calorie chicken dishes, fish and baked goods.

RESTAURA DINING SERVICES $350MM**

Ethnic entrees were certainly the most popular menu items at this 300-plus-unit division of Greyhound Food Management. Foods chosen often by customers included stir-fried items, pasta, lasagna, Mexican selections, taco salads, fish and chips, and chili. New menu items introduced included chicken breast with tarragon, beef broccoli stir-fry, roast pork Dijon, cod almondine and Mexican fiesta haystack.

"Starcruise '87" was an extremely successful six-week promotion held in 60 Restaura accounts located in Indiana, Tennessee, Missouri, Wisconsin and Ohio (each account ran its own promotion). The special event was conducted jointly with Premier Cruise Lines, also a subsidiary of The Greyhound Corp. Accounts were decorated in a cruise-line theme and Restaura staff dressed in appropriate attire. A special cruise-line meal was served to generate even greater enthusiasm. Those who purchased the special meal were given entry forms for a drawing for such prizes as a three-night luxury Bahamas cruise, luggage, solar calculators, watches, lighters and pens, pen and pencils sets, and message microphones. Sales increases varied from location to location; the highest was 20%.

HARRY M. STEVENS $175MM

There has been a big change in the physical design and traffic flow of facilities for feeding people who attend sporting events. No longer is it a "belly-up, push-and-shove, stand-in-line" type of operation, says a company spokesperson. There is more self-service and more preparation in front of customers (hot dogs are no longer pre-wrapped, for example). Customers also have better visuals and "can see what's going on," says the spokesperson, which they like. The system is more scattered, as well, with an employee being responsible for a particular area. This cuts down on employee theft.

THE WOOD CO. $120.7MM

Five-inch-wide, home-style cookies, called Almost Famous Cookies and merchandised in old-fashioned cookie jars, helped to build impulse sales at Wood accounts.

The company also introduced a modular Today's Taste for Today's Lifestyles upscale menu promotion. Included are Salad Maker (salad bar and custom-made salads); Stack's Deli (deli sandwiches); Grills and Frills (grilled sandwiches, fries, etc.); Cut Above (sliced premium meats for sandwiches and hot entrees); Country Kettle (hot and cold soups); Chef's Choice (entrees); Sweet Treats (desserts); Tag-A-Longs (takeout sandwiches/salads); The Naturals (foods for fitness); Breakfast Club (breakfast program) and Refreshments (beverages).

TRUSTHOUSE FORTE FOOD SERVICES $83.8MM*

New menu items introduced by this 2,310-employee division of Trusthouse Forte included eggplant *rollentine* (eggplant rolled with prosciutto, mozzarella and seasoned ricotta laced with marinara sauce and served with herb fettuccine); sandwich sampler (a miniature Reuben, Monte Cristo and executive grills served with chips and deli pickles); fresh black peppercorn pasta with sautéed medallions of beef, mustard and herb butter; London broil Texas-style (flank steak marinated with vegetables and barbecue sauce served with potatoes kugel and julienne of carrot and turnip) and Dixie pork chop (center cut pork chop baked with apples in a pungent glaze and served with New Hampshire stuffing).

In 1987, the company promoted seasonal menus and special days including The Pumpkin Patch, the Surfside Station and Harvest Home: A British Autumn Festival (the company is owned by London-based Trusthouse Forte).

—Susie Stephenson

400: FRANCHISING

SPREADING THEIR WINGS

The new territorial imperative for franchisors is to expand abroad. That's where the money is!

Despite growing labor shortages, market saturation and fierce competition, current U.S. Commerce Department figures show that restaurant franchising is alive and well.

Foodservice franchising sales increased 8.6% to $56.8 billion in 1987. In 1988, sales are projected at $63.2 billion, representing 44% of the commercial market. The number of franchised units has grown from more than 78,000 in 1986 to a projected 90,789 by the end of 1988.

While domestic growth has slowed some, the international franchise scene is booming. By the end of 1987, 6,769 franchised units were operating in major countries outside the United States, including Japan, Canada, Australia, Mexico, the United Kingdom and the Caribbean.

About two-thirds of the franchise firms in Japan are food-related, making it the hottest international market for expansion. Besides the fact that the Japanese love American products, the cheap dollar has given Japanese investors good reason to buy American franchises. Franchisee fees and U.S.-made supplies are available at very attractive prices.

Kentucky Fried Chicken has more than 2,000 franchises abroad, 700 of which are in Japan. McDonald's has franchised more than 600 units in Japan and did more than $1 billion in business there last year. Mister Donut also has more than 600 operations there, while 7-Eleven surpassed the 3,000-unit mark last year.

Companies as large as Carl Karcher's, which did not start franchising until 1984, and as small as the New York City nine unit Le Croissant chain also have reached agreements to franchise in Japan.

While Japan appears to be the new route to take, 45% to 50% of franchisors who want to operate there are turned away very quickly, according to Patrick Boroian, president

Japan is the hot market on the international scene.

マクドナルド
ハンバーガー
マクドナルド
ハンバーガー

400: FRANCHISING

Central Park
Central Park

SLIMMED-DOWN DESIRES

With many of the major franchisors broadening their menus, little niches have opened up for new entrepreneurs. This has fueled the growth of streamlined concepts with limited menus, lower prices and speedy service. Drive-thru and takeout-only chains such as Hookers Hamburgers, Rally's hamburger and Central Park are gearing up for expansion. The 25-unit, Chattanooga, Tenn.-based Central Park chain has already sold more than 40 franchises. Terms include a $15,000-per-unit fee, 3% royalties for seven years of a 15-year agreement and 4% for the final eight years. While these start-up companies have yet to attain "400" status, they already are giving some "400" companies a run for their money.

Franchising sales at $57 billion and climbing with 91,000 units projected for end of '88.

of Francorp, a franchise consulting firm in Olympia Fields, Ill. "Less than 10% of the franchisors who call us ever get as far as going to Japan to meet with potential licensees," says Boroian.

Domestically, perhaps the leading issue in the franchising business today is the delicate franchisee-franchisor relationship. Franchisees are better educated today and are demanding more support from the franchisor. Many franchisees resent paying royalty fees when their diligent efforts fail to produce a money-making operation.

Franchisees are beginning to organize themselves because they want more of a say in how a company runs its advertising, marketing and product development programs.

"Good franchisors are organizing advisory councils that invite franchisee participation in an organized fashion that the franchisor can control," says Boroian. "Otherwise, if you force the franchisees to organize on their own, it can become militant. It is a trend that could threaten the survival of some restaurant chains."

One of the most innovative franchisors today is USACafes L.P., licensor of Bonanza restaurants. President Jeff Rogers has put together agreements that significantly reduce the conflict of interest that franchisors face with their major licensees. His plan has paid off handsomely as chainwide sales increased 15.5% in the last fiscal year.

USACafes has developed a master license agreement that splits royalties. USACafes shares its 4.8% royalty 50-50 with area developers who are master franchisees of a territory. They have the right to either subfranchise and collect full royalties and pay USACafes half, or they can run their own stores, pay half the royalty (2.4%) and keep the other half as income.

"Licensees, in effect, become partners with the company because they share royalties and, therefore, the responsibility to develop the value of the overall system," says Rogers.

The basic point of Rogers' philosophy is the importance of tapping into the knowledge of his franchisees. "I don't know of too many companies that feel it is anything more than bothersome to deal with franchisees," he says. "We work together with operators. We listen to them, because they have most

SUBWAY SANDWICHES
"TOBY"

400: FRANCHISING

Only a few franchising companies with a yen for Japanese investors can make a deal.

JURY IS STILL OUT
New franchising systems such as Pillsbury's Burger King/ Godfather's/Häagen-Dazs combination units are being tested around the country. The concept, which helps build traffic counts, can be difficult to execute. MKM Enterprises, franchisee of the Pillsbury trio in Las Vegas, Nev., has to contend with three franchisors, three sets of books and three sets of distributors. The key to its success has been the franchisee's ability to gain concessions such as generic uniforms and an agreement to use only Burger King cups for the self-serve drink system. Nationwide, franchise experts say combination-unit results have been mixed. There have been no offers to franchise the system.

of the good ideas and can stop corporate people from making many major mistakes."

Herren Hickingbotham, president of up-and-coming TCBY Enterprises, also subscribes to the philosophy of total franchisee support.

"More than 70% of our development comes from existing franchisees," says Hickingbotham. "It all comes back to the support in operations, new product development and marketing. Our field and corporate personnel are always asking what they can do to better serve the franchisee. There is no 'us' and 'them' attitude.

Another fast-growing chain, Subway Sandwiches & Salads, owned by Doctors Associates Inc., helps franchisees keep most of their capital for launching a store to provide ultimate growth opportunity. For example, the corporate office purchases restaurant equipment at factory prices and sells it to franchisees at that same wholesale price. An entire equipment package can be shipped with a $1,000 deposit. The 1,810-unit chain produced systemwide income of $360 million in 1987, 89% higher than 1986. With only a $7,500 franchise fee, Doctors' President Fred DeLuca is projecting 3,000 units by the end of 1988.

At Arby's Inc., development incentives for franchisees have been very productive for the entire system. Arby's has been offering discounted royalty rates for development within a franchisee's protected area. Remodeling rebates have been given to operators who rehab existing units.

The franchising picture is not entirely rosy, however. In 1987, 33 franchised restaurant concepts were abandoned. Boroian cited five reasons for failure: a flawed concept, not replicable in another market; poor management; lack of capital due to underestimated expenses and overestimated sales projections; poorly constructed franchise agreements that lead to poor franchisor-franchisee relations; and inability of the concept to change with the times. Altering the course of a company's destiny may be painful, but necessary. *—Jeff Weinstein*

Franchises now account for 44% of commercial eating-place sales.

Kentuc
Fried
Chicke
Drive ➔ Thru
hops
DRIVE THRU

PUTTING IN THE BIG FIX

When the going got tough, Hal Smith turned Chi-Chi's around. Can Foodmaker maintain momentum?

A Darling of Wall Street at the beginning of the decade, Chi-Chi's had hit Skid Row by the mid-1980s. Sales plunged, while departing managers pushed turnover past 90%.

A mere three years later, the company has made a dramatic comeback. Same-store sales were up an average of 3.7% for the first nine months of fiscal 1988, and management turnover has dipped to about 30%. The recent merger with Foodmaker, owner of the Jack In The Box chain, strengthened Chi-Chi's financial position still more; their combined annual sales are well over $1 billion.

President Hal Smith comments, "We knew we were on the right track when we saw sales flatten after three years of decline and then start to go up. At about the same time, the turnover problem eased up—by staying, managers were telling us they liked what we were doing."

How did Chi-Chi's get into trouble in the first place? Euphoric over sales as high as $70,000 a week per unit, the chain went on an expansion spree. Continuing to build 10,000-square-foot stores made good sense . . . until economic pressures dictated that restaurants squeeze sales out of every inch of space. It seemed logical to site new restaurants near existing high-volume stores, to permit synergies in marketing and purchasing . . . until the new restaurants began to cannibalize the business of the older ones. Penetrating new territory on the East Coast sounded like a good idea . . . until the reality of high real estate prices and labor problems, particularly in the New York City area, set in.

"The bottom just fell out, and nobody seemed able to fix it," remembers Executive Vice President Michael Fiori, who has been with the company since 1982. Alarmed by the decline in profits, the board of directors brought in experts, but their systems-oriented advice threatened to

This new canopy invites customers to give Chi-Chi's a try.

continued from page 213

add to the company's inertia.

Hiring Hal Smith, a protégé of Norm Brinker and former president of S&A Corp. and Chili's, was a far better move. The new chief wasted no time trimming a top-heavy headquarters staff and closing 21 unprofitable units, thereby allowing the company to focus on its stronger restaurants.

By the beginning of July 1987, a full-scale "revitalization program" was under way. A new canopy and stripes around the exterior of each Chi-Chi's announced to customers that something had changed. Inside, dark colors and wall hangings gave way to colorful murals, flowers and walls. Servers shed their unflattering uniforms in favor of attractive peasant costumes.

The company has begun to build and acquire smaller properties ranging in size from 5,000 to 7,000 square feet—far more compact than the original sprawling Chi-Chi's. "We've been flabbergasted by the ability of these stores to maintain the same atmosphere, to have the same mix of food and liquor, and yet be more profitable," says Fiori. As for the full-sized units, some are testing luncheon buffets to make good use of the extra space, while saving on labor costs.

Popular beef and chicken entrees continue to dominate the menu, but the humunga changa, T-bone steak (for non-Mexican food lovers in the party), combination dinners and new appetizers have added new excitement. Responding to customer complaints about food running together, Chi-Chi's improved presentation with a white rectangular, sectioned plate. The menu changes are backed up by television ads that play up the vivid colors, sizzling sounds and textures of the food.

The abysmal turnover situation was a priority from the beginning. "Recruiting is much more professional than it used to be," says George Theisman, senior vice president of human resources. Base salaries and bonuses for all levels of management were boosted. The old bonus program rewarded managers solely on profit, thereby penalizing those whose stores had heavy construction or overhead costs beyond their control. Occupancy is excluded from the new plan, putting all managers on an equal footing. To avoid manager burnout, Chi-Chi's reduced the standard work week from six to five days, and promised two consecutive days off.

All of Chi-Chi's 17,000 employees, from hourly workers to field supervisors, have gone through a retraining program. "The service process was becoming too robot-like," says Theisen. "We wanted staff to put some personality into service and to do some tive selling."

An important byproduct of the changes was a renewed sense of pride and enthusiasm, according to Smith. "When employees saw that we were willing to buy new uniforms and to spend $50,000 a restaurant for remodeling, they began to believe we were serious."

From the beginning, part of the

CHI-CHI'S MANAGEMENT TEAM

Fuddruckers' financials are strong.

ON THE REBOUND

VICORP Restaurants: **For the third quarter, the company posted a profit of $465,000, compared to a loss of $15.6 million last year. Credit goes to tight cost controls, better promotions and a sale-leaseback arrangement for 31 restaurants that cut interest payments in half. Some analysts think VICORP's Bakers Square restaurants should promote bakery take-out more aggressively.**

Rax Restaurants: **A midyear report, surrounded by green crumpled paper on a covered platter and delivered on St. Patrick's Day, celebrated the company's $860,000 in net income in the first half of 1988—a far cry from the $3.9 million loss this time last year. The Fast Food with Style campaign reaffirmed Rax's commitment to hamburgers.**

Fuddruckers: **Armed with a profit of $88,000, the first since 1984, the company is going full speed ahead with "the diner of the '90s." The produce flats and neon beer signs are out, and smaller, more comfortable dining areas are in. To go with the new look and new menu, which offers grilled chicken and fish sandwiches in addition to burgers, Fuddruckers has a new slogan, "The Home of the Honest Meal."**

400: TURNAROUNDS

Chi-Chi's should gain purchasing power and marketing savvy from the Foodmaker merger.

game plan was to be acquired, but the first two offers, by holding companies, were not viewed with enthusiasm. With little interest in foodservice, they might have dismantled much of the support structure and curtailed expansion plans to make their investment pay off.

Chi-Chi's management breathed a sigh of relief when the Foodmaker bid prevailed. "We think they're one of the true leaders in their region," says Smith. "We are very impressed with the caliber and integrity of the group, and with their longevity—Jack In The Box has been in business about 30 years."

He expects Chi-Chi's to benefit from Foodmaker's creative approach to product introduction and from collective purchasing power. Geographical distance should encourage Foodmaker to give a good deal of autonomy to its new subsidiary; to facilitate running a chain of Midwestern restaurants, Chi-Chi's headquarters will remain in Louisville, Ky., while Jack In The Box's concentration in the West dictates that Foodmaker remain in San Diego.

Although two new units of Sharkey's Oyster Bar & Grill are scheduled in 1988, this concept and Papanadas Southwestern Border Cafe will remain in test until Foodmaker has a chance to study their potential. The same goes for Chi-Chi's el pronto!, small shopping-mall units that sell a limited menu of Chi-Chi's items for takeout only. Construction of the downsized Chi-Chi's restaurants will continue, however, at a conservative but steady rate of about one a month.

The staff has been restructured since the merger; together with earlier cuts made just after Smith joined the staff, about 40 headquarters staff have been sent on their way. "I was upfront with the staff that some consolidation is a fact of life when there's a corporate merger. We made staffing decisions quickly and came up with a severance package that I think even the people who are leaving would agree is equitable and fair," he says.

Chi-Chi's belongs to the midscale restaurant segment, which as a whole has suffered from a business slowdown; first-quarter CREST figures showed only a 0.7% increase in traffic for midscale operations, compared to an industrywide jump of 3.2%. But Smith says, "If you're asking whether I think the opportunities for dinner houses are great, I'd have to say yes. If we execute our concept properly and deliver value, the sales will come." —*Toni Lydecker*

APPETIZERS
DELICIOUS COMBINATIONS
HOT & SPICY
FRESH
BEVERAGES
SONORAN KITCHEN TALK
JOIN US FOR

The regular menu has a more colorful, festive air, and a separate menu has spurred dessert sales.

Family
SHOWBIZ

ShowBiz recovers its footing.

POISED FOR A COMEBACK?

Wendy's: **Flawed marketing and a badly planned venture into the breakfast market have held sales down for the past two years. Close to a quarter of franchisees are in arrears with royalty payments; some are bitterly opposed to the Hamburger A commercials, even though consumers seem to like them.**

On the plus side, Wendy's landed in the black for 1988's first quarter, with a gain of about $10 million over this time last year. The SuperBar buffet could turn out to be the company's badly needed success.

Brock Hotel Corp. (Integra): **Operating income of $822,000, the first since 1983, edged the company out of the red—but just barely. The progress owes much to a financial restructuring in 1986.**

Executive Vice President Dick Huston says of ShowBiz Pizza Time, "It's good to be growing the concept again, after rocky times. We believe the company has a niche."

With ShowBiz just emerging from the woods, the company recently bought Monterey House, a troubled Mexican-food chain. Although the decor and menu have been upgraded, sales have not yet responded.

400: RANKINGS

(1) McDonald's Corp.
Sales: $14,330.4MM Units: 9,159

(2) PepsiCo Foodservice Division
Sales: $8,540MM Units: 16,407

(3) The Pillsbury Co. Restaurant Group
Sales: $6,053MM* Units: 7,339

(4) Marriott Corp.
Sales: $5,623.1MM* Units: 4,511*

(5) U.S. Dept. of Agriculture, Food & Nutrition Service
Sales: $3,095.4MM† Units: 90,180

(6) Wendy's International Inc.
Sales: $2,870MM Units: 3,816

(7) ARA Services Inc.
Sales: $2,813.3MM* Units: 3,842

(8) Imasco USA
Sales: $2,481.9MM* Units: 2,991

(9) International Dairy Queen Inc.
Sales: $2,032MM Units: 6,069

(10) Domino's Pizza Inc.
Sales: $1,980MM Units: 4,279

(11) TW Services
Sales: $1,859.9MM* Units: 2,352

(12) Restaurant Enterprises Group Inc.
Sales: $1,520MM* Units: 801

(13) Denny's Inc.
Sales: $1,485.4MM Units: 2,072

(14) General Mills Restaurants Inc.
Sales: $1,450MM** Units: 644

(15) The Sheraton Corp.
Sales: $1,391.2MM Units: 1,555

(16) Holiday Corp.
Sales: $1,386MM* Units: 1,917*

(17) Shoney's Inc.
Sales: $1,227.3MM Units: 1,483

(18) Collins Foods International Inc.
Sales: $1,052.7MM Units: 1,003

(19) Service America Corp.
Sales: $1,030MM** Units: 11,000**

(20) Arby's Inc.
Sales: $980MM Units: 1,973

(21) Hilton Hotels Corp.
Sales: $970MM Units: 1,185

(22) Morrison Inc.
Sales: $858MM Units: 1,053

(23) The Southland Corp.
Sales: $828.8MM* Units: 7,000*

(24) U.S. Navy Food Service Systems Office
Sales: $810MM† Units: 684

(25) Jerrico Inc.
Sales: $791.8MM* Units: 1,504

(26) U.S. Army Community & Family Support Centers
Sales: $766.4MM† Units: 626

(27) Ponderosa Inc.
Sales: $730.4MM Units: 693

(28) Dunkin' Donuts Inc.
Sales: $728.8MM Units: 1,669

(29) Hyatt Hotels Corp.
Sales: $726.4MM* Units: 390**

(30) Little Caesar Enterprises Inc.
Sales: $725MM Units: 1,820

(31) Carlson Cos.
Sales: $724.1MM** Units: 757

(32) U.S. Army Troop Support Agency
Sales: $698.6MM† Units: 1,074

(33) Ramada Inns Inc.
Sales: $657.2MM* Units: 802

(34) Foodmaker Inc.
Sales: $655.1MM Units: 897

(35) Baskin-Robbins Ice Cream Co.
Sales: $624.7MM* Units: 3,372

(36) Friendly Ice Cream Corp.
Sales: $572.4MM Units: 840

(37) Army & Air Force Exchange Service
Sales: $544.6MM† Units: 2,755

(38) Church's Fried Chicken Inc.
Sales: $533.9MM Units: 1,422

(39) USACafes
Sales: $529.5MM Units: 605

(40) American Restaurant Group Inc.
Sales: $500MM Units: 350

(41) Inter-Continental Hotels Corp.
Sales: $490MM* Units: 300*

(42) A. Copeland Enterprises Inc.
Sales: $482.6MM Units: 710

(43) Western Sizzlin' Steak House Inc.
Sales: $466.2MM Units: 585

(44) Carson Pirie Scott & Co.
Sales: $463.2MM* Units: 281*

(45) Investors Management Corp.
Sales: $445.8MM Units: 542

(46) Elias Brothers Restaurants Inc.
Sales: $434.7MM* Units: 254

(47) United Airlines
Sales: $397.6MM† Units: 18

(48) Manor Care Inc.
Sales: $388.6MM†* Units: 922

(49) Ogden Allied Services Corp.
Sales: $388.5MM* Units: 1,725*

(50) VICORP Restaurants Inc.
Sales: $381.6MM Units: 410

(51) Rax Restaurants Inc.
Sales: $358.3MM Units: 529

(52) Greyhound Management Inc.
Sales: $350MM** Units: 450

(53) Perkins Family Restaurants L.P.
Sales: $343.7MM Units: 334

(54) Carl Karcher Enterprises Inc.
Sales: $343.6MM Units: 444

(55) Walt Disney Co.
Sales: $336MM Units: 182

(56) U.S. Air Force Open Mess System
Sales: $331MM† Units: 262

(57) U.S. Air Force
Sales: $319.5MM† Units: 669

(58) Sonic Industries Inc.
Sales: $315MM Units: 953

(59) The Riese Organization
Sales: $312MM* Units: 303*

(60) Beverly Enterprises
Sales: $308MM† Units: 1,052*

(61) National Purchasing Corp.
Sales: $307.6MM†** Units: 2,105

(62) Pantera's Corp.
Sales: $300MM Units: 786

(63) The Seiler Corp.
Sales: $299MM Units: 400

(64) IHOP Corp.
Sales: $297.5MM Units: 454

(65) Boddie-Noell Enterprises Inc.
Sales: $297.2MM* Units: 279

(66) Hospital Corp. of America
Sales: $288.8MM†* Units: 404

(67) White Castle System Inc.
Sales: $282.6MM Units: 236

(68) Sky Chefs Inc.
Sales: $275.8MM† Units: 35[B]

(69) Trans World Airlines Inc.
Sales: $275MM†* Units: 3*

(70) K mart Corp.
Sales: $274.5MM* Units: 1,559

(71) Doctors Associates Inc.
Sales: $272MM** Units: 1,815

(72) Chi-Chi's Inc.
Sales: $270MM Units: 201

(73) Whataburger Inc.
Sales: $265MM** Units: 392

(74) Veterans Administration
Sales: $264.3MM† Units: 162

(75) Round Table Franchise Corp.
Sales: $262.5MM Units: 535

(76) New York City Board of Education
Sales: $257.6MM†** Units: 1,207

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Note: Numbers in parentheses indicate companies' "400" ranking. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* est.; **company est.; †commercial equivalent; (A)former data included non-foodservice sales; (B)adjusted method in reporting figures; (C)franchisees' sales est; (R)revised.

400: RANKINGS

continued from page 219

(77) Furr's/Bishop's Cafeterias L.P.
Sales: $256.2MM Units: 152

(78) Nestle Enterprises Inc.
Sales: $254.2MM* Units: 176*

(79) Chili's Inc.
Sales: $253MM** Units: 146

(80) Delaware North Cos. Inc.
Sales: $246.8MM* Units: 292

(81) Carvel Corp.
Sales: $243.8MM* Units: 750**

(82) Northwest Airlines Inc.
Sales: $233.7MM† Units: 81

(83) Luby's Cafeterias Inc.
Sales: $232.9MM Units: 103

(84) U.S. Marine Corps
Sales: $231.8MM†** Units: 109

(85) Waffle House Inc.
Sales: $230.6MM* Units: 610*

(86) The Horn & Hardart Co.
Sales: $227.6MM Units: 275

(87) Bob Evans Farms Inc.
Sales: $220MM Units: 196

(88) Restaurant Associates Industries Inc.
Sales: $220MM Units: 110

(89) Piccadilly Cafeterias Inc.
Sales: $217.5MM Units: 116

(90) Shoney's South Inc.
Sales: $211.3MM Units: 254

(91) Mister Donut of America
Sales: $210MM Units: 709

(92) National Medical Enterprises Inc.
Sales: $210MM†** Units: 578

(93) Mrs. Fields Cookies
Sales: $203.2MM* Units: 700

(94) Chick-fil-A Inc.
Sales: $202.7MM Units: 364

(95) Frisch's Restaurants Inc.
Sales: $197.4MM* Units: 197

(96) Brock Hotel Corp.
Sales: $192.7MM Units: 321

(97) The Circle K Corp.
Sales: $190MM** Units: 3,600

(98) Wyatt Cafeterias Inc.
Sales: $189MM Units: 119

(99) F.W. Woolworth Co.
Sales: $187MM* Units: 1,050*

(100) Ryan's Family Steak Houses Inc.
Sales: $185MM Units: 95

(101) The Krystal Co.
Sales: $184MM Units: 243

(102) Unicare Health Facilities Inc.
Sales: $182MM† Units: 890

(103) The Ground Round Inc.
Sales: $181.6MM Units: 191

(104) PoFolks Inc.
Sales: $180MM Units: 164

(105) Western Steer-Mom'n'Pop's Inc.
Sales: $179.6MM Units: 192

(106) Specialty Restaurants Corp.
Sales: $178MM** Units: 73

(107) Harry M. Stevens Inc.
Sales: $175MM Units: 37

(108) City of New York, Dept. of Procurement
Sales: $175MM† Units: 104

(109) U.S. Navy Officers' and Enlisted Club Sytem
Sales: $168.6MM† Units: 261

(110) California Department of Corrections
Sales: $168.6MM†** Units: 75

(111) Los Angeles Unified School District
Sales: $167.7MM†** Units: 574

(112) ServiceMaster Co., Food Management Division
Sales: $165MM Units: 235

(113) Bally Manufacturing Corp.
Sales: $164.2MM* Units: 29*

(114) Hospital Purchasing Services
Sales: $163.8MM† Units: 535

(115) Paragon Restaurant Group Inc.
Sales: $162MM Units: 83

(116) Hyatt International Corp.
Sales: $160MM Units: 200**

(117) A&W Restaurants Inc.
Sales: $154MM Units: 531

(118) Harman Management Co.
Sales: $153MM** Units: 226

(119) Club Corp. of America
Sales: $152.9MM* Units: 225

(120) DeNovo Corp.
Sales: $150MM Units: 544

(121) Food Dimensions Inc.
Sales: $148.7MM†* Units: 115

(122) Brown Derby Inc.
Sales: $148MM Units: 50

(123) Shakey's Inc.
Sales: $145.4MM Units: 364

(124) Baltimore Bureau of Purchases
Sales: $144.2MM† Units: 135

(125) W.R. Grace Restaurant Group
Sales: $144MM Units: 171

(126) dâka
Sales: $142.6MM Units: 347

(127) Amerinet/Valuefood Div.
Sales: $140MM†** Units: 500**

(128) Unigate Restaurants Inc.
Sales: $139.5MM Units: 176

(129) Navy Resale and Services Support Office
Sales: $138.9MM† Units: 650

(130) The Continental Cos.
Sales: $138MM Units: 54

(131) Roma Corp.
Sales: $136.8MM* Units: 96

(132) Mr. Gatti's Inc.
Sales: $136MM Units: 338

(133) W.B. Johnson Properties Inc.
Sales: $134.8MM Units: 125

(134) State of Oklahoma Central Purchasing
Sales: $132.3MM†** Units: 43

(135) Carrols Corp.
Sales: $130MM Units: 141

(136) Caesar's World Inc.
Sales: $130MM Units: 34

(137) Mazzio's Corp.
Sales: $130MM Units: 197

(138) Fuddruckers Inc.
Sales: $130MM Units: 116

(139) Red Lion
Sales: $128.5MM Units: 113

(140) Chicago Board of Education, Dept. of Foodservice
Sales: $128.2MM†** Units: 585

(141) Braum Ice Cream & Dairy Stores Co.
Sales: $126.8MM* Units: 200

(142) Galardi Group
Sales: $125MM** Units: 340

(143) Days Inns of America Inc.
Sales: $125MM Units: 384

(144) Winners Corp.
Sales: $124.7MM Units: 196

(145) TCBY Enterprises Inc.
Sales: $121.2MM Units: 822

(146) The Wood Co.
Sales: $120.7MM Units: 194

(147) Commonwealth of Virginia
Sales: $120.4MM† Units: 83

(148) Kettle Restaurants Inc.
Sales: $120MM Units: 207

(149) Papa Gino's of America Inc.
Sales: $120MM Units: 200

(150) National Pizza Co.
Sales: $120MM** Units: 290

(151) Walgreen Co., Food Division
Sales: $119.3MM Units: 120

(152) Wom Enterprises Inc.
Sales: $118.7MM†** Units: 1,140

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400: RANKINGS

continued from page 220

(153) Sbarro Licensing Corp.
Sales: $117MM** Units: 253

(154) Omni Hotels Corp.
Sales: $116.8MM Units: 80*

(155) El Chico Corp.
Sales: $112MM Units: 98

(156) CHE Inc.
Sales: $111.1MM* Units: 63

(157) Del Taco Inc.
Sales: $110MM Units: 200

(158) RPM Pizza Inc.
Sales: $109MM Units: 227

(159) Brown & Portillo Inc.
Sales: $108.1MM* Units: 158

(160) Humana Inc.
Sales: $106.4MM† Units: 86

(161) JB's Restaurants Inc.
Sales: $105.5MM Units: 110

(162) Illinois Department of Central Management Services
Sales: $105.2MM†** Units: 86

(163) Rodeway Inns International
Sales: $105MM Units: 159

(164) Taco John's International
Sales: $102.6MM Units: 420

(165) Franchise Associates Inc.
Sales: $102MM** Units: 141

(166) Astor Restaurant Group Inc.
Sales: $101.8MM** Units: 300

(167) RTM Inc.
Sales: $100MM Units: 177

(168) Trusthouse Forte Food Services Inc.
Sales: $100MM Units: 321

(169) Consolidated Products Inc.
Sales: $99.3MM Units: 122

(170) Pioneer Take Out Corp.
Sales: $98.2MM* Units: 252

(171) Metropolitan Chicago Healthcare Council
Sales: $98MM† Units: 100

(172) Druther's International Inc.
Sales: $96.2MM Units: 162

(173) State of California Dept. of Rehabilitation
Sales: $95.2MM† Units: 278

(174) State of Wisconsin
Sales: $95.2MM† Units: 46

(175) Jamco Ltd./Mr. Steak
Sales: $95MM Units: 146

(176) Skipper's Inc.
Sales: $95MM Units: 219

(177) Lyon's Restaurants Inc.
Sales: $92MM** Units: 61

(178) Food Concepts Inc.
Sales: $90MM* Units: 720

(179) Fosters Freeze International
Sales: $90MM Units: 194

(180) International King's Table Inc.
Sales: $90MM Units: 90

(181) Franchise Enterprises Inc.
Sales: $90MM Units: 123

(182) Servico Management Corp.
Sales: $89.3MM Units: 60

(183) U.S. Dept. of Justice, Federal Prison System
Sales: $88.2MM† Units: 47

(184) MHM Inc.
Sales: $87.5MM** Units: 60

(185) Trans/Pacific Restaurants Inc.
Sales: $86.9MM Units: 54

(186) Adventist Health System
Sales: $86.5MM† Units: 143

(187) Loews Hotels
Sales: $86.2MM Units: 74

(188) AIRCOA
Sales: $86MM Units: 121

(189) Interstate Hotels Corp.
Sales: $85.5MM Units: 103

(190) Red Robin International
Sales: $85MM Units: 47

(191) Swensen's Ice Cream Co.
Sales: $84.4MM* Units: 356*

(192) Forte Hotels International
Sales: $83.8MM* Units: 83*

(193) Cracker Barrel Old Country Store Inc.
Sales: $83MM Units: 53

(194) Pizza Management Inc.
Sales: $81MM Units: 193

(195) Restaurants Unlimited Inc.
Sales: $80MM Units: 74

(196) Benihana of Tokyo Inc.
Sales: $79.6MM Units: 48

(197) Bill Knapp's Michigan Inc.
Sales: $78.5MM* Units: 67

(198) Lettuce Entertain You Enterprises Inc.
Sales: $78.5MM Units: 31

(199) Dayton Hudson Department Store Co.
Sales: $78MM** Units: 339

(200) Six Flags Corp.
Sales: $78MM Units: 350

(201) HRI-Purchase Connection
Sales: $77.3MM† Units: 159

(202) Guest Services Inc.
Sales: $77.3MM† Units: 147

(203) The Mariner Corp.
Sales: $77.3MM Units: 104

(204) Resorts International Inc.
Sales: $77MM* Units: 24*

(205) Elby's Restaurants Inc.
Sales: $77MM Units: 72

(206) Calny Inc.
Sales: $77MM Units: 135

(207) Famous Restaurants Inc.
Sales: $76.2MM Units: 42

(208) Princess Hotels International
Sales: $75.7MM* Units: 33

(209) Consul Restaurant Corp.
Sales: $75MM Units: 36

(210) Original Great American Chocolate Chip Cookie Co.
Sales: $75MM* Units: 375

(211) McFaddin Ventures
Sales: $74.3MM* Units: 37

(212) Prime Motor Inns
Sales: $74MM Units: 70

(213) New Jersey Dept. of Corrections
Sales: $73.9MM†** Units: 45

(214) Universal Services Inc. International
Sales: $73.5MM* Units: 211*

(215) Convenient Food Marts
Sales: $72.5MM* Units: 1,310*

(216) National Heritage Corp.
Sales: $71.1MM† Units: 231

(217) The Happy Steak Inc.
Sales: $70.9MM** Units: 95

(218) The Marcus Corp.
Sales: $70.7MM* Units: 109*

(219) Associated Hosts Inc.
Sales: $70.2MM** Units: 60

(220) Summa Corp.
Sales: $70.2MM* Units: 48*

(221) Professional Food-Service Management Inc.
Sales: $70MM Units: 132

(222) New York State Office of Mental Health
Sales: $70MM†** Units: 32

(223) C.A. Muer Corp.
Sales: $70MM Units: 14

(224) Taco Time International Inc.
Sales: $70MM Units: 264

(225) Sybra Inc.
Sales: $69.2MM Units: 115

(226) Sonny's Real Pit Bar-B-Q Inc.
Sales: $68MM* Units: 75

(227) Forbco Management Corp.
Sales: $67.5MM Units: 34

(228) Harcourt Brace Jovanovich Co.
Sales: $66.3MM Units: 73

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400: RANKINGS

continued from page 228

(229) North Central Food Systems Inc.
Sales: $66MM Units: 75

(230) Theo H. Davies & Co. Ltd.
Sales: $66MM** Units: 66

(231) May Department Stores
Sales: $65.8MM* Units: 394**

(232) Twenty-First Century Corp.
Sales: $65MM* Units: 36*

(233) Fairmont Hotel Co.
Sales: $65MM Units: 21

(234) The Jan Cos.
Sales: $64.7MM Units: 62

(235) K-Bob's Steak Houses Inc.
Sales: $64.5MM Units: 85

(236) Magic Pan
Sales: $64MM Units: 58

(237) TrettCo Inc.
Sales: $63.4MM† Units: 86

(238) U.S. Restaurants Inc.
Sales: $63.2MM Units: 53

(239) New York City Health and Hospitals Corp.
Sales: $63MM† Units: 16

(240) State of Rhode Island Purchasing Div.
Sales: $62.9MM†** Units: 294**

(241) Buehler-Ruckriegel Inc.
Sales: $62.5MM Units: 117

(242) Trefz Corp.
Sales: $62.3MM* Units: 43

(243) Veterans Canteen Service
Sales: $62.2MM† Units: 172

(244) Eat'N Park Restaurants Inc.
Sales: $61MM Units: 46

(245) Rusty Pelican Restaurants Inc.
Sales: $60.2MM Units: 21

(246) David's Specialty Foods
Sales: $60MM* Units: 400

(247) Pizza Hut of Titusville Inc.
Sales: $59.7MM Units: 98

(248) Helmsley Hotels
Sales: $59.3MM* Units: 66*

(249) Buffets Inc.
Sales: $58.3MM[C] Units: 36

(250) Del E. Webb Hotels
Sales: $58MM* Units: 22

(251) Houston's Restaurants
Sales: $58MM** Units: 16

(252) Restaurant Management Co.
Sales: $57.7MM* Units: 110

(253) Lifestyle Restaurants Inc.
Sales: $57MM Units: 49

(254) Rocky Rococo
Sales: $57MM Units: 121

(255) American Medical International Inc.
Sales: $56.4MM†* Units: 90

(256) Atlanta Family Restaurants Inc.
Sales: $56.3MM Units: 45

(257) The Registry Hotel Corp.
Sales: $56MM Units: 45

(258) North Carolina Department of Administration
Sales: $56MM†** Units: 24

(259) Bobby McGee's USA Inc.
Sales: $56MM** Units: 20

(260) Wendy's Food Systems Inc.
Sales: $56MM Units: 81

(261) Dept. of Public Welfare-Commonwealth of Pa.
Sales: $56MM†** Units: 33

(262) Ohio Dept of Rehabilitation & Correction
Sales: $55.7MM† Units: 17

(263) The Levy Restaurants
Sales: $55MM Units: 30

(264) Doubletree Inc.
Sales: $55MM Units: 70

(265) Ohio State Dept. of Mental Health
Sales: $54.9MM† Units: 80

(266) Houston Independent School District
Sales: $54.6MM†** Units: 225

(267) Seafood Broiler Restaurants
Sales: $54.4MM Units: 28

(268) Sea Galley Stores Inc.
Sales: $54MM Units: 50

(269) Pancho's Mexican Buffet Inc.
Sales: $54MM Units: 56

(270) U.S. Army Medical Department
Sales: $53.5MM† Units: 51

(271) State of Connecticut, Purchasing Dept.
Sales: $52.9MM†** Units: 200

(272) Uno Restaurant Corp.
Sales: $52.3MM Units: 41

(273) Triton Investment Co. Inc.
Sales: $52.2MM* Units: 36*

(274) McCrory Stores
Sales: $52MM** Units: 327

(275) Palm Management Co.
Sales: $51.2MM Units: 11

(276) Valley Food Service Corp.
Sales: $51MM† Units: 105

(277) Dade County Schools
Sales: $50.9MM†** Units: 288

(278) FMS Management Systems Inc.
Sales: $50.6MM Units: 89

(279) Sanese Services Inc.
Sales: $50MM Units: 53[B]

(280) Carousel Snack Bars Inc. of Minnesota
Sales: $50MM** Units: 330

(281) Dino's USA Inc.
Sales: $50MM** Units: 205

(282) AMTRAK
Sales: $50MM Units: 344

(283) Peter Piper Inc.
Sales: $50MM Units: 109

(284) Legal Sea Foods Inc.
Sales: $49.7MM Units: 11

(285) Hamburger Hamlets Inc.
Sales: $48MM** Units: 24

(286) International Onion
Sales: $48MM Units: 13

(287) MTC Management Inc.
Sales: $48MM Units: 112

(288) Amfac Resorts Inc.
Sales: $47.9MM* Units: 30*

(289) Sis Corp.
Sales: $47.9MM Units: 63

(290) The Boyd Group
Sales: $47.7MM Units: 26

(291) Maid-Rite Products Inc.
Sales: $47MM Units: 131

(292) California Dept. of Developmental Services
Sales: $47MM† Units: 11

(293) Florida Dept. of General Services
Sales: $47MM†** Units: 55

(294) Schlotzsky's Inc.
Sales: $46.4MM Units: 214

(295) K&W Cafeterias Inc.
Sales: $46MM** Units: 20

(296) Adam's Mark Hotels
Sales: $46MM Units: 28

(297) Pointe Resorts
Sales: $46MM Units: 10

(298) Indiana Dept. of Admin.; Procurement Division
Sales: $45.8MM†** Units: 37

(299) Sirloin Stockade International
Sales: $45.2MM Units: 66

(300) Hard Rock Cafe
Sales: $45.2MM Units: 6

(301) Trader Vic's
Sales: $45.1MM* Units: 20

(302) Jack's Food Systems Inc.
Sales: $45MM Units: 90

(303) Phillips Seafood Restaurants
Sales: $45MM Units: 7

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Note: Numbers in parentheses indicate companies' "400" ranking. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. *R&I est.; **company est.; †commercial equivalent; (A)former data included non-foodservice sales; (B)adjusted method in reporting figures; (C)franchisees' sales est; (R)revised.

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(304) Smith and Sons Foods Inc.
Sales: $44.7MM Units: 56

(305) Huddle House Inc.
Sales: $44.7MM Units: 130

(306) The Evangelical Lutheran Good Samaritan Society
Sales: $44.5MM† Units: 195

(307) Sands & Co. Inc.
Sales: $44.4MM* Units: 825*

(308) School District of Philadelphia
Sales: $44MM†** Units: 260

(309) MCL Cafeterias
Sales: $44MM Units: 27

(310) Wendcoast Corp.
Sales: $44MM* Units: 56

(311) Restaurant Management Service Inc.
Sales: $43.8MM Units: 43

(312) Pennsylvania Department of Corrections
Sales: $42.8MM† Units: 14

(313) Lackmann Food Service
Sales: $42.8MM† Units: 40

(314) Arctic Division of Quaker State
Sales: $42MM Units: 105

(315) Consumer Food Services Inc.
Sales: $42MM** Units: 25

(316) State of Hawaii School Foodservice
Sales: $42MM†** Units: 226

(317) U.S. Coast Guard
Sales: $41.8MM†** Units: 506

(318) Azar's Inc.
Sales: $41.1MM Units: 36

(319) Standard Oil
Sales: $40.5MM* Units: 36

(320) Beacon Hotel Corp.
Sales: $40MM Units: 20

(321) Southern Foodservice Management
Sales: $40MM†** Units: 80

(322) State of Missouri Division of Purchasing
Sales: $39.8MM† Units: 30

(323) Winegardner & Hammons Inc.
Sales: $39.8MM Units: 42

(324) Straw Hat Cooperative Corp.
Sales: $39.8MM* Units: 80

(325) Noble Roman's Inc.
Sales: $39.3MM Units: 100

(326) Health Care Services of New England
Sales: $39.2MM† Units: 350

(327) State of Louisiana, Office of Purchasing
Sales: $39.2MM†** Units: 35

(328) U.S. Marine Corps Military Clubs Branch
Sales: $39MM† Units: 163

(329) Wrather Port Properties Corp.
Sales: $39MM* Units: 53

(330) Sonesta-International Hotels Corp.
Sales: $39MM Units: 26^{B}

(331) JRN Chicken Stores
Sales: $39MM Units: 76

(332) State of Washington Government Institutions
Sales: $38.9MM† Units: 34

(333) Horizon Hotels Ltd.
Sales: $38.9MM Units: 21

(334) Wendy's of Fort Wayne
Sales: $38.6MM* Units: 62

(335) New York State Office of Mental Retardation
Sales: $38.1MM†** Units: 19

(336) Country Kitchens of Wisconsin
Sales: $38MM Units: 60

(337) Elmer's Restaurants Inc.
Sales: $38MM Units: 31

(338) OSF International
Sales: $37.9MM Units: 26

(339) Pizza King Franchises Inc.

RANKINGS

Sales: $37.7MM* Units: 91

(340) Bresler's Division of Oberweis Dairy Inc.
Sales: $37.5MM Units: 300

(341) Dietary Consultants Inc.
Sales: $37.4MM†* Units: 66*

(342) Valentino's
Sales: $37MM Units: 36

(343) Ruth's Chris Steak House Inc.
Sales: $37MM Units: 19

(344) Rowntree Ltd.
Sales: $36.7MM* Units: 276

(345) Brunswick Corp.
Sales: $36.6MM Units: 130

(346) Taco Tico Inc.
Sales: $36MM Units: 113

(347) Olga's Kitchen Inc.
Sales: $36MM Units: 38

(348) Pietro's Corp.
Sales: $36MM** Units: 65

(349) Perk Development Corp.
Sales: $35.2MM Units: 29

(350) Southern Hospitality Corp.
Sales: $35.1MM Units: 49

(351) Bobby Rubino's USA Inc.
Sales: $35MM Units: 19

(352) U.S. Beef Corp.
Sales: $35MM Units: 73

(353) State of Kansas Div. of Purchasing
Sales: $35MM†** Units: 26

(354) Casa Olé Restaurants & Cantinas
Sales: $35MM Units: 34

(355) Shari's Management Corp.
Sales: $35MM** Units: 37

(356) Skyline Chili Inc.
Sales: $35MM** Units: 70

(357) The Original Seafood Shanty
Sales: $35MM Units: 14

(358) T.J. Cinnamons Bakeries
Sales: $35MM Units: 201

(359) Treadway Inns
Sales: $35MM Units: 40

(360) Heidman Inc.
Sales: $34.8M*M Units: 24

(361) AIFAM Enterprises Inc.
Sales: $34.7MM* Units: 85

(362) Hillsborough County School Board
Sales: $34.7MM†** Units: 143

(363) Atlas Hotels Inc.
Sales: $34.2MM* Units: 22

(364) Spencecliff Corp.
Sales: $34MM** Units: 24

(365) Spire's Restaurants
Sales: $34MM Units: 26

(366) LaRosa's Inc.
Sales: $34MM Units: 45

(367) Coulter Enterprises
Sales: $34MM Units: 68

(368) North Carolina State Dept. of Corrections
Sales: $33.9MM†** Units: 87

(369) Dallas Independent School District
Sales: $33.6MM†** Units: 184

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400: RANKINGS

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(370) Health Care & Retirement Corp.
Sales: $33.6MM†** Units: 127

(371) Clock Restaurants Inc.
Sales: $33MM Units: 43

(372) Hospitality International Inc.
Sales: $33MM* Units: 250*

(373) Jerry's Systems Inc.
Sales: $33MM** Units: 62

(374) Classic Prime Ltd.
Sales: $33MM Units: 52

(375) Happy Chef Systems Inc.
Sales: $32.5MM Units: 52

(376) U.S. Naval Medical Command
Sales: $32.5MM† Units: 31

(377) E&A Restaurants of South Florida Inc.
Sales: $32.2MM* Units: 41

(378) Wenar Corp.
Sales: $32.2MM* Units: 41

(379) Arthur Treacher's Inc.
Sales: $32MM Units: 106

(380) Corporate Food Services Inc.
Sales: $32MM Units: 44

(381) Sandwich Chef Inc.
Sales: $32MM Units: 179

(382) Valls Enterprises
Sales: $32MM Units: 14

(383) Stuckey's Corp.
Sales: $32MM Units: 120

(384) CVI Service Group Inc.
Sales: $31.2MM† Units: 52^B

(385) Sunquest Systems
Sales: $31MM Units: 58

(386) Maryland Dept. Gen. Services
Sales: $30.8MM†** Units: 32

(387) Michigan State University
Sales: $30.8MM†** Units: 43

(388) Texas Dept. of Corrections, Food Service Dept.
Sales: $30.8MM† Units: 38

(389) The Management Group Inc.
Sales: $30.5MM** Units: 20

(390) Allen & O'Hara Inc.
Sales: $30.4MM* Units: 24

(391) Knott's Berry Farm
Sales: $30.1MM* Units: 55

(392) The C&C Organization
Sales: $30MM Units: 24

(393) Cox Hotel Corp.
Sales: $30MM Units: 23

(394) State of Tennessee General Services
Sales: $30MM† Units: 42

(395) Brigham's Inc.
Sales: $30MM Units: 72

(396) Fat Boy's Bar-B-Q Franchise System Inc.
Sales: $30MM Units: 36

(397) Big 4 Restaurants Inc.
Sales: $30MM** Units: 11

(398) Vie de France Restaurant Corp.
Sales: $30MM Units: 57

(399) Hardin Group
Sales: $30MM Units: 142

(400) Happy Joe's Pizza & Ice Cream Parlor Inc.
Sales: $30MM** Units: 85

R&I

Note: Numbers in parentheses indicate companies' "400" ranking. Sales figures are for the 1987 calendar or fiscal year; unit figures represent the number of units open as of 1/1/88. **R&I* est.; **company est.; †commercial equivalent; (A)former data included non-foodservice sales; (B)adjusted method in reporting figures; (C)franchisees' sales est; (R)revised.

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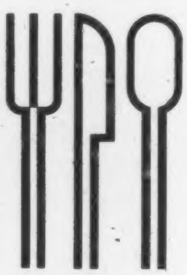
R&I SCENE

HOW PEOPLE EAT

Everybody has to eat, but the methods people throughout the world use to get food from plate to mouth vary. Figures from the Japanese Restaurant Association divide the world's population into four categories:

1.2 billion
eat with chopsticks



1.5 billion
eat with fork, knife and spoon

350 million
eat with knife and hands

250 million
eat with hands only

Michael Tuohy at Chef's Cafe in Atlanta

■ PEOPLE, PLACES & PROMOS

Upscale Cafe in Midscale Motel

Against the odds, Michael Tuohy's Chef's Cafe makes it in Atlanta.

Michael Tuohy wanted his own restaurant. Enough to leave his management position at Joyce Goldstein's Caffe Quadro. Enough to accept a challenge most 26-year-olds could never approach: to conceive and manage a gourmet restaurant in a La Quinta Inn on an Atlanta strip devoid of fine-dining options.

The challenge came from Art Wong and Robert Martensen of Piedmont Investors, who wanted to improve the range of gourmet restaurant possibilities in Atlanta and believed they could do it on Piedmont Road. They were right to choose Tuohy to help execute their plan.

Backed by a competent chef and kitchen staff, Tuohy first focused on Chef's Cafe's food—innovative American gourmet fare that immediately won praise from critics in the region. That accomplished, Tuohy had to figure out a way to bring people in. "I couldn't count on consistent patronage from guests at La Quinta, so I focused elsewhere," says Tuohy.

His solution, a series of benefits, has drawn well-to-do crowds from surrounding neighborhoods of Buckhead, Ansley, Peachtree Hills and Morningside, Ga.

Tuohy and team boast, "We were the pioneers on Piedmont Road." Since Chef's Cafe's rise to prominence in the Atlanta dining scene, Peasant Restaurants opened Trio two miles down the road. Pano Karatossos and Paul Albrecht opened their Buckhead Diner a mile away, and independent developers put in the Sierra Grill a mile in the opposite direction.

CIA Radio Show Is a Nutrition Mission

At 11:30 every Wednesday and Thursday morning, Culinary Institute of America Master Chef Mark Erickson becomes "The Voice" for WKIP's radio show "Healthy and Delicious" in Poughkeepsie, N.Y.

Erickson gives out tips on good-tasting, nutritious cooking—how to make a lower-fat sauce, how to reduce sodium in food without losing the flavor, etc.—information directly related to the nutritious fare served at St. Andrew's Cafe, the healthful food restaurant on the CIA campus.

Erickson says the show's two-minute time limit keeps him from being preachy, but lets him relay the St. Andrew motto: Nutritious food can taste and look good.

Erickson et al. in the kitchen at St. Andrew's Cafe preparing one of the meals for which it is known.

R&I EXCLUSIVE

ANNUAL JOB$ SURVEY

HOW EXECUTIVE PAY STACKS UP

Managers' take-home pay holds steady but benefits perk up total compensation.

Results of *R&I*'s 10th Annual JOB$ Survey show the average salary increase for foodservice executives flattened out in 1988. The average raise reported by more than 2,200 respondents from the March survey is 5.6%, down from 7.2% in 1987. More than 16% report having received no raise in the past 12 months. The softness can be traced to a low inflation rate and a maturing marketplace, which is putting a squeeze on profits.

Meanwhile, benefit packages continue to expand, a likely result of growing needs and demands of working mothers and pressures to retain good employees in a tight labor market. The foodservice industry is showing signs of waking up to the fact that its benefit plans must become more competitive to attract potential employees away from other industries.

Following this overview of executive compensation, *R&I* presents four first-person accounts. Foodservice executives in a variety of fields talk candidly about the rewards and frustrations of their jobs.

Belt tightening: Food costs are escalating at a faster pace than in recent years. A slightly overbuilt industry is battling eroding customer counts. Uncertain economic conditions are affecting consumer spending confidence. Therefore, JOB$ survey results reveal the average raise in the foodservice industry declined this year. Wage increases dropped 28.5%, averaging 6% on the commer-

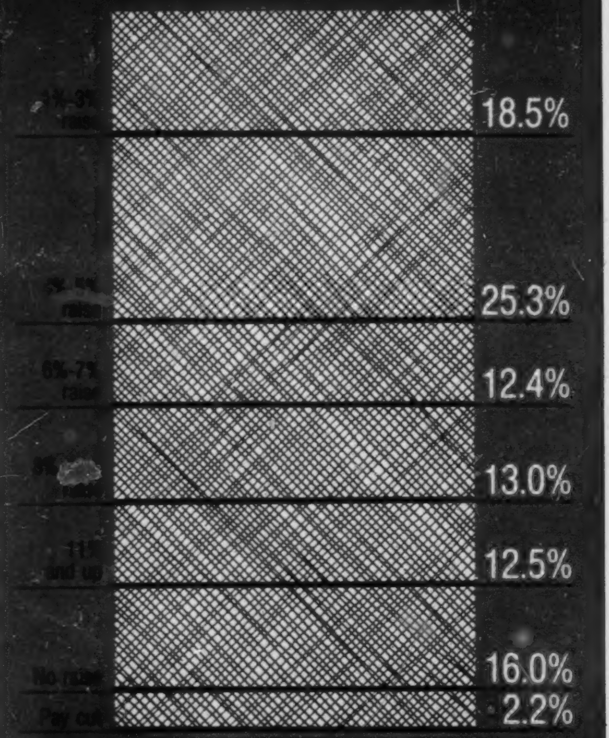
cial side and 5.1% among institutions.

Among owners, 44.7% report taking no raise in the past year, and another 8.2% are taking a pay cut. About one-quarter of commercial respondents say they received no increase, while only 6% on the less-volatile institutional side came up empty. Of the total sample, 2.2% took a pay cut, 44% accepted increases of 5% or less, while only 6.6% received better than a 15% increase.

The larger increases are traditionally given to younger employees with smaller base salaries who are working their way up the ladder. Foodservice is no exception. Industrywide, 25.5% received increases of 8% or more. But for respondents

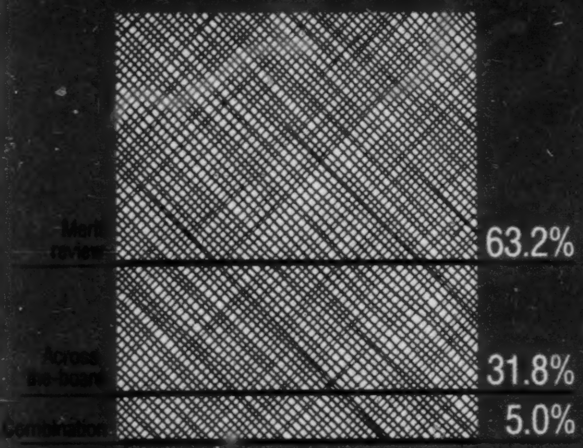
AVERAGE RAISE 5.6%

While the majority of respondents (25.3%) received a 4% to 5% increase, 16% have not received a raise in the past 12 months. The 5.6% average increase is much lower than last year's 7.2% average. Vice presidents receive the highest average raise (8.9%), while dietitians have the lowest average (4.6%).



THE OLD-FASHIONED WAY

The foodservice industry is trying to boost profits by tendering more wage increases based on merit. More than 77% of all commercial reviews are based on merit, compared to 45% of institutions.



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JOB$ '88

More operations are starting to tie pay to performance.

10 YEARS LATER

- **▶ The average income in 1978 was $30,430, vs. $33,180 in 1988.**
- **▶ Average time in the industry was 14.4 years in 1978, vs. 15.9 years in 1988.**
- **▶ 52.5% had a college or culinary degree in 1978, vs. 58% in 1988.**
- **▶ 57.4% were satisfied with their raise in 1978, vs. 58.1% in 1988.**
- **▶ 82% received medical insurance in 1987, vs. 85.5% in 1988.**
- **▶ 25% received dental insurance in 1978, vs. 48.8% in 1988.**
- **▶ 34.4% received tuition reimbursement in 1978, vs. 42.3% in 1988.**
- **▶ 54.2% received disability insurance in 1978, vs. 52.6% in 1988.**
- **▶ 51.2% received pension plans in 1978, vs. 43.7% in 1988.**

age 25 or less, 39.5% earned at least an 8% pay hike. Conversely, only 18% of those between the ages 46 and 55 reported raises of more than 8%.

By region, the best raises are being handed out in the Northeast, where the labor shortage is at its worst and economic prosperity at its best. The average increase there is 6.7%, compared to 5% in North Central region.

Surprising, however, is the response about raise satisfaction. More than 58% say they are still satisfied with the amount of their last increase. In these times of economic uncertainty, many respondents may be happy just to be employed.

Earning their keep: Merit reviews appear to be the vehicle of choice for passing out raises today. On the commercial side, 77.4% of the respondents' companies use only merit reviews as a basis for raises. Fully 84% of fine-dining operations rely on merit reviews only. Of the 903 institutional responses, across-the-board increases (47.6%) are preferred slightly over merit reviews (45.2%). More than 77% of the schools use the across-the-board method.

Responses about frequency of raises vary widely by segment. About 62% of independent operations have no set policy, while 79.2% of institutional operations award raises on an annual basis.

It is not surprising that the fast-food restaurant segment, hardest hit by the current labor shortage, is the industry leader in frequency of scheduled raises. Almost 14% of fast feeders give raises twice a year, compared to a 6.9% industry average.

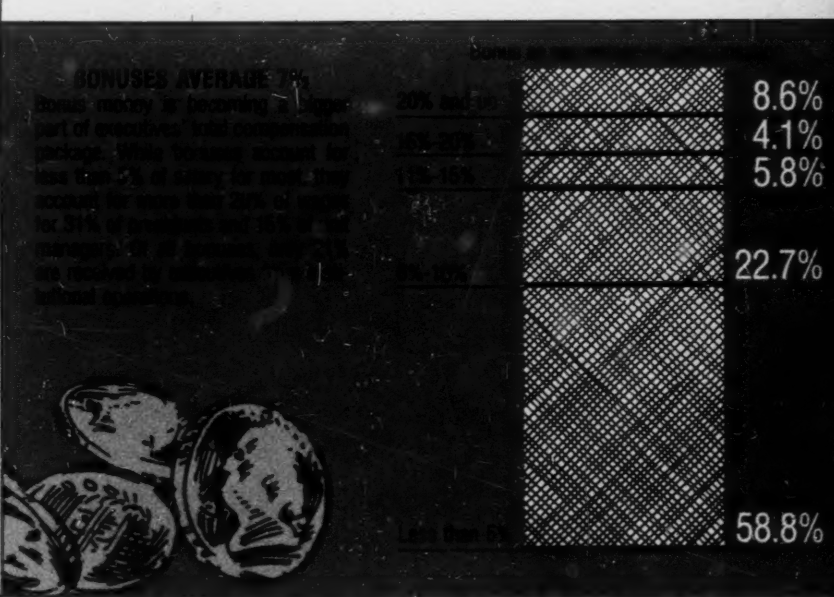
Salary statistics: The average annual income for commercial executives (owners, presidents, vice presidents, corporate staff, and area, unit and assistant managers) is $36,100, up just slightly from $35,850 in 1987.

Among institutional executives, the average salary is $29,220, up from $29,070 a year ago. Employee-dining operations report the highest average salary at $33,860.

Some of the biggest jumps in annual wages have been garnered by unit managers and assistant managers, a result of the shortage of qualified employees. The average salary for unit managers increased to $30,010, up from $28,790 last year. Assistant managers have seen their average salary jump from $20,400 to $22,690. Midscale operations registered the highest average increase (9.5%) for their managers. Nonethe-

BONUSES AVERAGE 7%

Bonus money is becoming a bigger part of executives' total compensation package. While bonuses account for less than 5% of salary for most, they account for more than 20% of salary for 31% of [illegible] and 15% of [illegible] managers. [illegible] are received by [illegible] tutional operations.



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less, 60% of unit managers still make less than $30,000, while only 5% earn more than $50,000.

"Quality" is another industry buzzword and may account for the solid pay raises received by executive chefs. They are increasingly bringing solid credentials, a flair for the unique and unusual, and celebrity status to operations. Their average wage increased from $29,660 in 1987 to $32,400 this year.

Female executives made virtually no progress this year in their battle for equal pay. The average female makes $26,140, compared to $37,300 for males, a figure virtually unchanged from last year. Female unit managers average $24,680 a year, vs. $32,100 for males. Female foodservice directors are paid $26,190, compared to $34,470 for males. More than 70% of the females are making less than $30,000 and only 3% make more than $50,000.

More and more, operators are tying pay to performance to help boost profits and create enthusiasm among their employees. Nearly 20% of the companies have changed their compensation structure in the past year to tie pay to performance. More than 31% of fast-food restaurants made the switch. On the institutional side, more than 18% of

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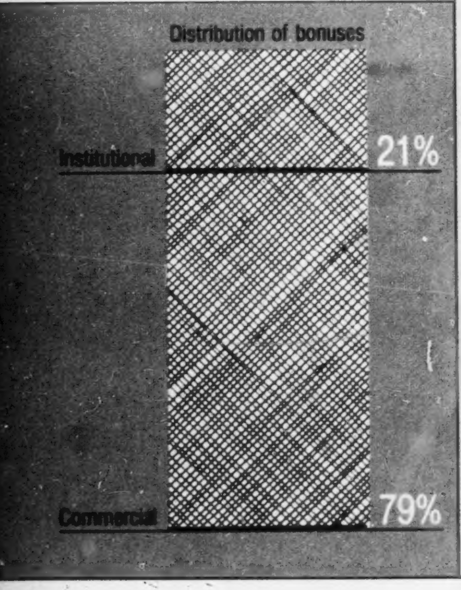

Distribution of bonuses

NORTHEAST PAYS THE HIGHEST WAGE

Salary figures reflect the prosperity of the Northeast region and the hardships of the North Central. Unit managers and assistant unit managers are making some of the greatest strides with increases of 10% over 1987.

	North-east	North Central	South	West
Owner Industry avg.: $41,880	$45,570	$36,640	$43,090	$43,440
President* Industry avg.: $48,650	$42,640	$40,640	$63,180	$51,130
Vice president* Industry avg.: $53,180	$52,750	$58,550	$45,360	$56,900
Corporate staff Industry avg.: $35,890	$35,600	$34,100	$37,230	$35,560
Area/regional manager Industry avg.: $43,070	$46,790	$40,030	$42,320	$44,390
Unit manager Industry avg.: $30,010	$30,260	$27,810	$32,200	$30,610
Asst. unit manager Industry avg.: $22,690	$24,130	$21,750	$22,300	$23,170
Foodservice director Industry avg.: $29,190	$31,850	$26,950	$29,620	$29,330
Dietitian Industry avg.: $26,740	$28,330	$26,880	$25,490	$27,350
Food & beverage director Industry avg.: $32,850	$38,810	$30,030	$31,780	$38,140
Asst. food & bev. director Industry avg.: $28,390	$27,380	$27,830	$29,410	$30,310
Executive chef Industry avg.: $32,400	$30,330	$31,160	$39,530	$33,040
Total sample	$34,850	$30,250	$34,420	$34,340

KEEPING PACE WITH INFLATION

With inflation running at an average rate of 4% a year, these selected job positions appear to be keeping pace. But after owners registered a nice increase from 1986 to 1987, costly legislation and higher operating costs appear to be taking a big bite off the bottom line.

	1985	1986	1987	1988
Owner	$35,200	$39,000	$43,700	$41,880
Unit manager	$25,700	$27,300	$28,790	$30,010
Foodservice director	$25,500	$26,700	$28,540	$29,190
Dietitian	$24,900	$24,900	$26,230	$26,740

**For the third year, a large portion of vice presidents work for companies larger than those of company presidents, creating results that indicate vice presidents earn more than presidents.* *©1988 Restaurants & Institutions, a Cahners publication.*

JOB$ '88

About 15% of fast-food executives are now offered paid maternity leave.

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health-care and employee-dining operations changed their policy. Of the respondents making more than $75,000 a year, 42.4% report making changes tying pay to performance.

This year, 42% of all respondents (59% commercial and 20% institutional) report receiving a bonus. Medium-priced operations recorded the biggest increase, with bonuses awarded to 64% of executives vs. 57% last year. More than 34% of employee-dining executives received a bonus in the past year, far outdistancing other institutions.

While the number of unit managers receiving a bonus held steady this year at 56%, assistant managers made great progress; 50% reported receiving a bonus, compared to 40% a year ago. Again, the increase can be attributed to the retention problems of many fast-food chains.

Bonus money accounts for 6.9% of total compensation, according to survey results. On the commercial side, it accounts for 7.9% of earnings compared to 4.1% among institutions. Eleven percent of commercial operators say bonus accounts for more than 20% of salary. The hotel/motel segment relies on bonus money more than others—it accounts for 8.4% of compensation.

Company presidents, vice presidents and unit managers put their necks on the line more than anyone else in the industry. Bonuses account for more than 20% of total compensation for 31.4%, 22.5% and 15.7%, respectively, of these group members. Slightly more than three-quarters of company presidents were awarded bonuses, 22% more than last year.

In your best interest: Sen. Ted Kennedy (D-Mass.) wants to mandate health-care benefits for part-time employees. Congress also wants to pass parental-leave legislation. Working mothers are requesting child-care assistance and flexible schedules to manage both job and family. Managers would like to see more pension and 401K plans made available.

Attractive benefit packages can make the difference today in attracting bright up-and-comers in what is fast becoming a very competitive employment environment. More than 47% report this year that benefit packages influence decisions to change jobs or make a certain job selection. Benefits

WOMEN MAKE STRIDES

The following list shows what percentage of executives are receiving specific benefits. While child-care subsidies are making small inroads, the number receiving paid maternity leave has increased almost 25%.

Paid vacation	87.9%
Medical insurance	85.5
Disability insurance	52.6
Dental insurance	48.8
Pension plan	43.7
Tuition reimbursement	42.3
Profit sharing	22.1
Flex time	21.0
Relocation costs	21.0
Company car	14.9
Paid maternity leave	14.1
Stock options	13.4
401K plan	12.5
Child-care subsidy	2.7

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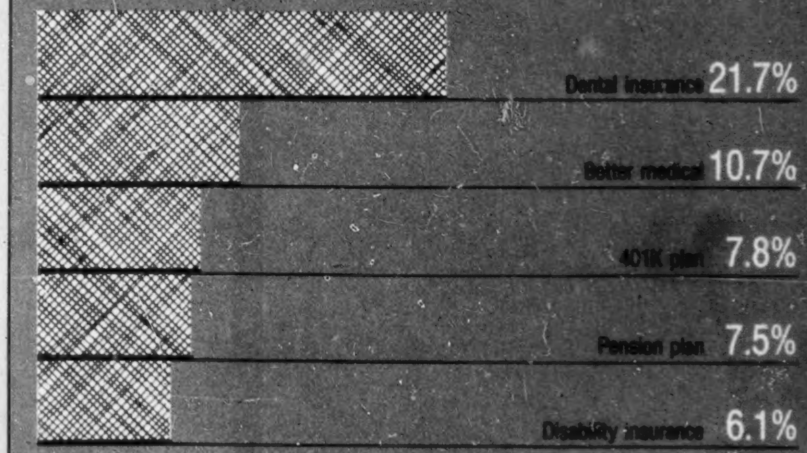
DENTAL PLANS DIG IN

Executives report that dental coverage has been the benefit most often added to their compensation plan in the past year. Also, profit sharing has been added by 6%, prescription insurance by 4.3%, optical insurance by 3.2% and more vacation time by 3% of employers.



appear to be particularly important to younger employees, those in health care, employee feeding, and at the area and unit-management level.

This year, 33% of *R&I*'s JOB$ survey respondents report recent changes in benefit packages. More than 50% report more benefits are available, 28.7% say benefits have been trimmed, 6.8% say benefits have been eliminated altogether and 13% have set up a "cafeteria of benefits" package where employees choose the benefits they want. Cafeteria benefit plans are proving popular in fine-dining operations and for those with salaries between $50,000 and $75,000—18% have set up such packages. Operations in the Northeast have been the most generous, where 65% are adding benefits, while 33% of West Coast operations report having trimmed benefits.

Once again, institutional operations are industry leaders when it comes to providing for their employees. This year, schools and universities have been especially generous as 73.7% of schools and 64.5% of universities report adding benefits, compared to a commercial average of 53.7%.

Paid vacation, medical, dental and disability insurance remain the most popular benefits provided. And once again, institutions are offering a more complete package. They outperform commercial operations in all the aforementioned categories and more. For example, 61.3% of institutions offer tuition reimbursement, compared to 27.2% on the commercial side; 69.1% of institutions give pensions, vs. 23.5% for commercial. Paid maternity leave is available for 20% of institutional managers, compared to 9.4% of commercial ones. But 14.7% of fast-food operations, desperate for good help and forced to provide better benefits, are offering paid maternity leave, up from 6.8% a year ago.

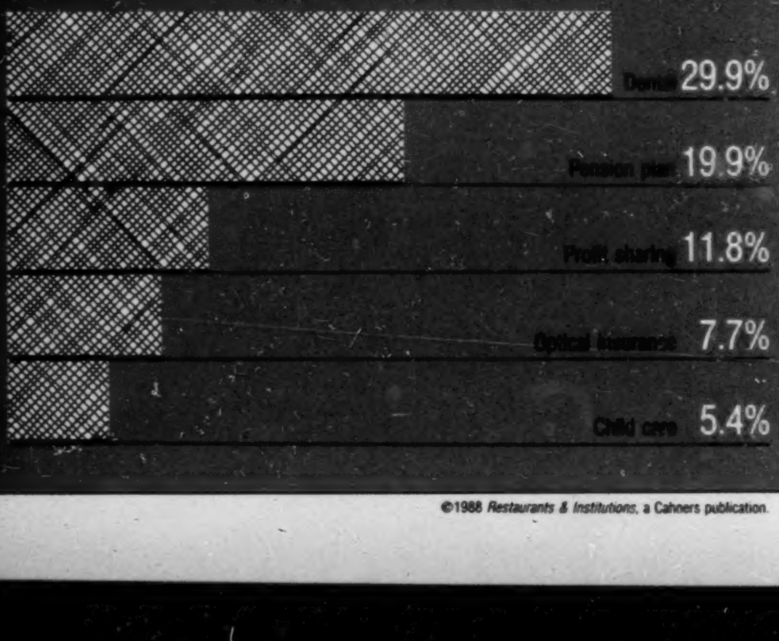
On the commercial side, fine-dining operations fall below the industry average in most major benefit categories, while the hotel/motel segment rates above average. For example, only 34.4% of fine-dining restaurants offer dental coverage, compared to 58.8% for hotels. But fine-dining operations make up for their shortcomings in other areas. Fully 33.6% of fine-dining operations offer profit sharing, more than any other commercial segment. Only employee-dining operations have stronger financial benefit programs; 40% offer profit sharing and 401K plans and 37% offer stock options.

Coming up: In the Aug. 19 issue of *R&I*, look for Part II of the annual JOB$ survey results. It will take a personal look at attitudes about current jobs and what the future might hold for management-level foodservice professionals.

—*Jeff Weinstein*

AN EYE ON THE FUTURE

When asked what benefits executives would like to receive that they are not yet getting, dental insurance remains the most sought after. In addition, 18.1% of executive chefs want optical coverage and 13.4% of dietitians want a child-care subsidy.



FEW SIGNS OF EQUALITY

- ▶ **The average salary of female respondents in the 1988 JOB$ survey is $26,140, vs. $37,300 for males.**
- ▶ **The average raise is 5.13% for females, vs. 5.89% for males.**
- ▶ **51% of females say their raise is based on merit, vs. 70% for males.**
- ▶ **29% of females received a bonus, vs. 49% for males; bonus accounts for 4.78% of female's total compensation vs. 7.69% for males.**
- ▶ **54% of females receive pensions, vs. 37.8% of males; 50% of females receive education reimbursement, vs. 38% for males; 12.4% of females receive profit sharing, vs. 27.7% for males; 24.1% of females receive paid maternity leave, vs. 8.4% for males.**
- ▶ **Only 6.4% of females say they do not get, but would like to receive paid maternity leave; 4.8% would like to receive flex time; 10.1% would like to receive a subsidy for child care.**

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ACTION EXPRESS

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R&I EXCLUSIVE

WASTE CRISIS

RESTAURANTS & INSTITUTIONS

■ INDUSTRY ISSUES

WE CAN'T DUMP THIS ON SOMEBODY ELSE

Industry has a choice: reduce waste and recycle or suffer from skyrocketing disposal costs and restrictive legislation.

By Monica Kass

Constantine's restaurant in East Lyme, Conn., pays $250 a month for garbage disposal—triple last year's fee. The reason: a new, mandatory recycling law that requires East Lyme restaurants to sort their trash into three dumpsters—one for glass and cans, one for paper and cardboard, and one for wet garbage.

"It was kind of a shock at first," says Constantine's owner Andy Pappas. "We had to train the staff to get used to the procedures and had to find space for the dumpsters. But even though it's been an adjustment, it's better to cooperate than deal with the alternative."

The alternative—garbage disposal rates up to $500 a month—would result if East Lyme had to ship garbage elsewhere. "We're extending the life of our landfill," explains East Lyme Recycling Coordinator Dan Miller. "If it were full, we'd have to send all of our trash out of state, and the costs to restaurateurs would be twice as high as they are today."

East Lyme's mandatory recycling law is the prototype for the rest of the state. By 1991, restaurants and businesses in Connecticut's 168 other municipalities will be required to sort trash for recycling. New Jersey, Rhode Island, Philadelphia and several California muncipalities are not far behind.

Three years ago, asking restaurants to sort their trash for recycling would have been viewed as extreme. But no longer. America's breezy out-of-sight, out-of-mind attitude about garbage has been knocked flat by statistics that show the amount of landfill space dwindling faster than alternative methods can be implemented. To address this problem, legislators

GARBAGE GLOSSARY

Waste management experts speak their own language. Definitions for a few key phrases used in each of the three waste-disposal methods—landfills, incineration and recycling—follow.

LANDFILLS

NIMBY: **The acronym for Not In My Back Yard, an attitude taken by many communities toward garbage, making the siting of new landfills a political nightmare.**

Groundwater contamination: **This occurs when rainwater percolates through decomposing garbage in landfills, gradually reaching undergound water reservoirs. Groundwater contamination has prompted the closing of many landfills.**

Tipping fees (or gate fees): **The amount of money landfills and waste-to-energy plants charge waste haulers to dump trucks full of garbage.**

INCINERATION

Waste-to-energy plants: **Incinerator plants that burn waste to produce either steam or electricity (mass burn).**

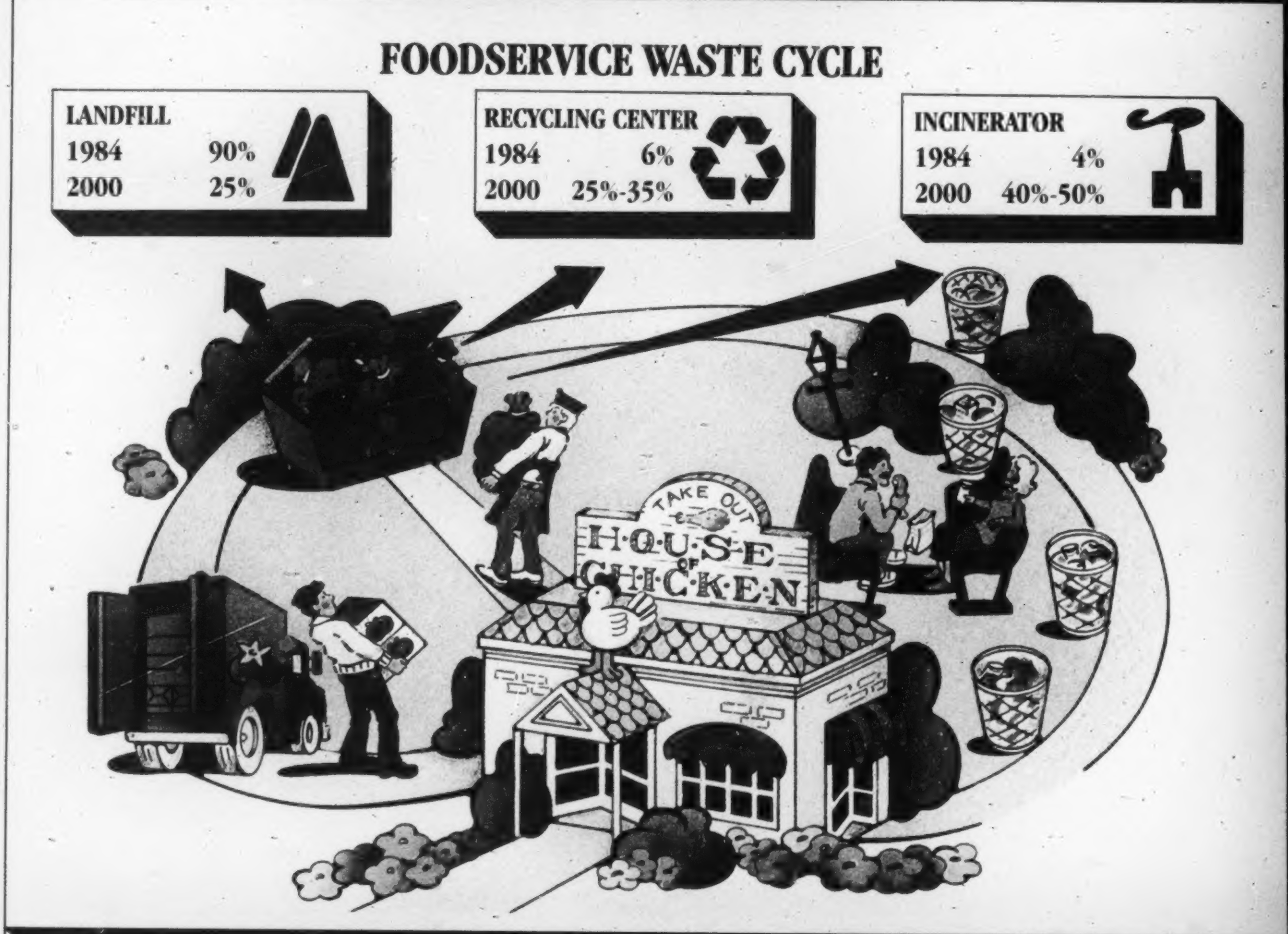
Dioxins: **Among the most toxic molecules known to man, dioxins are produced when materials containing chlorine compounds (some plastics, table salt, bleached paper) are burned. Dioxins weaken the immune system.**

RECYCLING

Cullet: **Post-consumer glass crushed and bought back by the glass industry to be recycled into new containers.**

Putrescibles: **Food and organic waste-contaminated materials (such as used paper plates, wraps and cups) that cannot be recycled.**

WASTE CRISIS



The industry's use of packaging with the shortest useful life span keeps it in the hot seat.

are drafting comprehensive waste-reduction and recycling acts that require participation by commercial establishments as well as the residential sector.

Nonetheless, something so sweeping as mandatory recycling for the commercial sector comes as a shock to the foodservice industry. Everyone's attention has been focused on debates over the industry's use of plastic packaging. In 1987, the foodservice industry generated three million tons of trash, only 3% of the nation's solid waste stream. Of that, less than 1% was polystyrene hinged containers. But volume is not the problem. The problem is that highly visible takeout and fast-food packaging has become the symbol of a wasteful society—especially since the containers have such a short useful life span.

In addition, the industry took a lot of heat when it was discovered that the foaming agents (chlorofluorocarbons, or CFCs) used to make some polystyrene foam food containers were linked to the depletion of the ozone layer that protects the earth from cancer-causing ultraviolet radiation.

Legislators, reacting to environmentalist pressure, threatened to ban the material. Responding quickly, the plastics industry moved to replace CFCs with an alternate blowing agent (HCFC-22) for all food packages it manufactures. (The switch will be complete by 1989.) In spite of this action, legislators went ahead with more than two dozen bills on state and local levels aimed at taxing, banning and restricting the use of polystyrene. Before the smoke cleared, Suffolk County, N.Y.,

The foodservice industry, particularly fast-food operations, has come under the scrutiny of legislators who are looking to reduce the nation's waste stream rather than face the politically difficult task of choosing new landfill sites. Currently, 90% of all foodservice garbage ends up in landfills, but the goal is to shift much of that volume to incinerators and recycling centers by the year 2000.

legislators had banned polystyrene and polyvinylchloride plastic wraps from use in foodservice establishments, effective July 1989.

As unfair as it may seem, the foodservice industry must realize that there is no escaping the spotlight in the wake of the CFC disaster. Initial legislation aimed at the industry because of CFCs has been broadened and expanded to tackle the plastics disposability problem and finally, the overriding problem, "What to do with all the trash?"

This progression of issues—from CFCs to plastics to comprehensive waste management—is well-illustrated in cities such as Los Angeles, where legislators started with a ban on the purchase of polystyrene food containers in city departments and now are moving to more comprehensive waste-reduction rulings. Says John Stodder, environmental affairs advisor to Los Angeles' mayor, "Initially, the foodservice industry's use of packaging with CFCs brought everything to a head. But the issue really became compelling to us as a whole package, with waste minimization as the larger and really separate issue."

Stodder's words are echoed by Patrick Kelch, assistant director of public works for environmental and community affairs in Berkeley, Calif.: "This issue is not yet resolved. So much emphasis has been put on the ban of plastic material . . . we feel that the focus should be more on encouraging efficient use of packaging."

Kelch adds that while Berkeley wants to maintain its tough stance on plastics, it "wants to be more comprehensive and reasonable with proposed waste-reduction measures."

Ultimately, what government officials such as Kelch and Stodder dream of is to redirect much of the garbage that ends up in landfills. Right now, 90% ends up in landfills, 4% is burned in incinerators and 6% is recycled. The goal is to recycle at least 25%.

Connecticut's mandatory recycling act (Public Act 87-544) stipulates that no recyclable materials—including glass, metal and cardboard boxes—will be allowed in any Connecticut landfill or waste incineration plant after Jan. 1, 1991.

In addition to Connecticut, three other states have some sort of mandatory recycling laws in place. Five more states—Wisconsin, Minnesota, Illinois, Pennsylvania and New York—are among those in which experts expect such laws will be enacted shortly. Because most states are still wrestling with the logistics of residential recycling programs, the foodservice industry has yet to feel the full impact of these laws. Once the kinks are worked out of residential programs, commercial programs will be established.

Philadelphia may be one of the first large cities to get the commercial half of its recycling program off the ground. Al Dezzi, Philadelphia's recycling coordinator, is setting it up. Dezzi explains, "In Philadelphia, an ordinance passed in June 1987 calls for mandatory recycling. Not just the household waste stream, but the entire waste stream—foodservice establishments included. The 'how' of that is

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DO A WASTE AUDIT

What's in your dumpster? If you don't know, you are probably throwing away valuable, recyclable materials and the chance to negotiate with your hauler for lower disposal fees. A waste audit will help you turn trash into cash.

☑ What types of waste does your operation produce?

☑ Is there an excess of insulating material (wraps to keep the food hot)? If so, you may be overpackaging your food products. Cutting back on packaging means less money spent on garbage disposal.

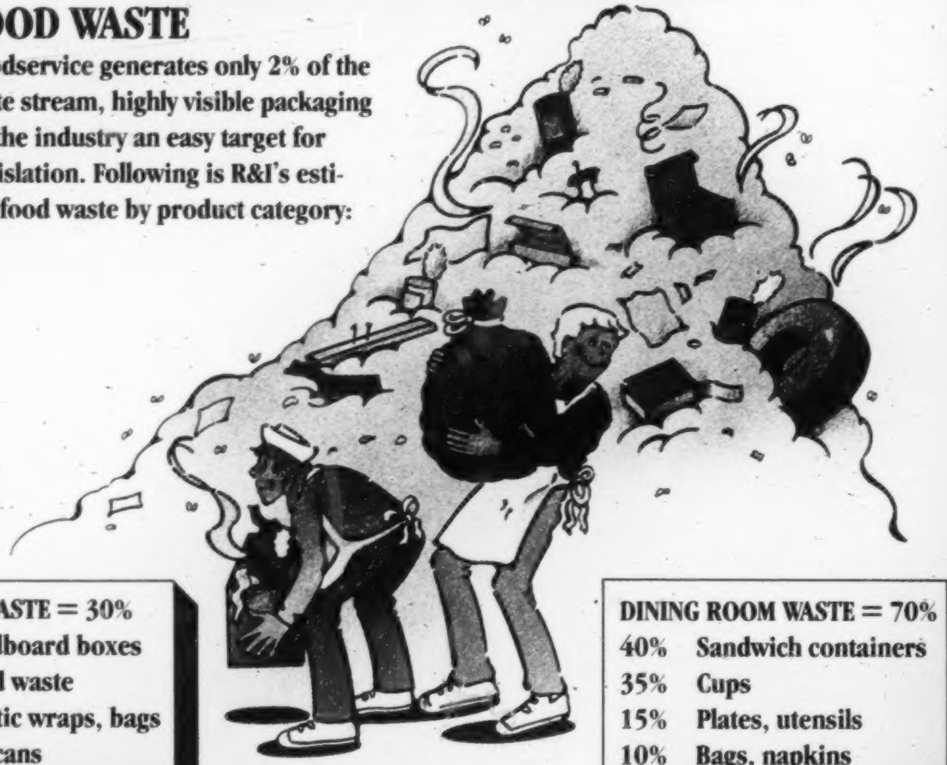
☑ Are there large quantities of cardboard, glass bottles, food or beverage containers in the bin? Materials suppliers and independent recyclers pay to reclaim all of these materials.

☑ Check your Yellow Pages to find recycling companies. Some entrepreneurial firms will drive to get materials. Recycling the trash may allow you to contract with your hauler for less service at cheaper rates. In other areas, haulers are getting into the recycling business. If you've done your homework and know what your trash is worth, your hauler may be willing to lower disposal fees in return for the money he gets for your recyclables.

WASTE CRISIS

FAST-FOOD WASTE

Although foodservice generates only 2% of the nation's waste stream, highly visible packaging logos make the industry an easy target for recycling legislation. Following is R&I's estimate of fast-food waste by product category:



KITCHEN WASTE = 30%	
50%	Cardboard boxes
25%	Food waste
15%	Plastic wraps, bags
5%	Tin cans
5%	Miscellaneous

DINING ROOM WASTE = 70%	
40%	Sandwich containers
35%	Cups
15%	Plates, utensils
10%	Bags, napkins

Waste legislation aimed at the industry started with CFC bans and has progressed to mandatory recycling.

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being worked out right now. One of the things that has been proposed is that we ask commercial establishments to separate wet garbage from dry trash. From there, we'd also like them to separate recyclables from the dry trash." Dezzi further explains that sorting could be done right on site or a hauler could be paid to pick up dry trash and put it through a processing plant where recyclables would be pulled out.

The "how" that Dezzi is working on, foodservice establishments are beginning to tackle voluntarily, with the aid of materials suppliers who stand to benefit from the flow of recyclable waste.

In tandem with California's recent passage of the California Beverage Container Recycling and Litter Reduction Act, the glass industry formed the California Glass Recycling Corp. The organization's purpose is to help the state reach a goal of redeeming 65% of all glass, aluminum, plastic and bimetal beverage containers by Dec. 31, 1989. To capture the large percentage of glass used by the foodservice industry, CGRC established a cash-back hotel, bar and restaurant glass-recycling program called The Phoenix Project.

Launched in Anaheim, Calif., in March 1987, the project has hundreds of participants in Orange, Los Angeles, San Diego and Santa Clara counties. Partipants sort their glass according to color and are paid up to $20 a ton. The project's first participant—the Disneyland Hotel—generates 20 tons of glass each month.

J. Rodney Edwards, vice president of the paperboard division of the American Paper Institute, says he is working with a 5,000-unit fast-food chain to develop a system where the fleet of trucks that delivers supplies to the units would pick up corrugated boxes for the return trip. These would then go to waste-paper dealers. Although Edwards expects it will be two years before the pilot program is completely unfolded, if it works, the program shows potential for implementation nationwide.

Similar programs at supermarket chains are saving participants significant sums of money in avoided disposal costs. According to Edwards, one Northeast supermarket chain with 110 participating stores generates 250 tons of corrugated containers a week. These are either hauled back to warehouses or sold directly to dealers. Keeping the boxes out of the landfills helps the chain avoid $2 million in disposal fees a year.

Independent of API, McDonald's is also in the beginning stages of a pilot paper-recycling program that will work in a similar fashion. The test will involve 175 McDonald's restaurants in Upstate New York. "All of McDonald's supplies come in corrugated boxes," says McDonald's general counsel Shelby Yastrow. "We're testing ways to collect the boxes, bale and recycle them." Some of the units will bale the boxes on site; others will store the boxes to be picked up for baling at a central facility. If McDonald's can show that it is economically feasible and operationally efficient to recycle the boxes, the company will expand the program.

Smaller in scope, but just as dramatic is a second pilot program McDonald's has launched in conjunction with a major supplier to recycle foam food containers from 20 McDonald's restaurants in New York City and Long Island. McDonald's personnel will accumulate trash at each site for transfer to a central warehouse where foam containers will be separated from paper trash. The foam will be washed, chopped and shipped back to the supplier where it will be made into pellets and re-extruded into insulation board for use in houses. There is a possibility that the paper also may be recycled for use as compost.

Yastrow, who heads an environmental task force at McDonald's, unveiled both recycling plans in a meeting with

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OPERATORS COMMENT ON RECYCLING

☐ **Have you thought about recycling?**

"We really haven't done much. I was approached by a representative from Goodwill not too long ago who was interested in picking up our aluminum cans. I approached a couple of the student organizations to see if I could get them interested, but got no response. It will become a problem. The cost for hauling has tripled in the past 12 months." *Frank Gladu, director of dining services, Vanderbilt University, Nashville, Tenn.*

"We love recycling. We've always loved recycling. We've been baling our corrugated boxes and selling them back to the recycling center. The initial investment in the machine was costly, but we save money in the long run by lower disposal costs." *Jeanie Goldhahn, Yesterday's, Fort Lauderdale, Fla.*

"We are reselling our grease, and we separate all of our glass and tin cans from the garbage and sell those. The recycling center in town comes and picks the recyclables up. It saves us a few hundred dollars a month in disposal costs." *Joe Brown, Old San Francisco Steakhouse, Dallas*

☐ **What would keep you from wanting to recycle?**

"Part of the essence of our business is standard procedure. There is still no national policy on recycling. We would have difficulty trying to deal with something on a town-by-town basis, especially as it relates to packaging or waste handling or any other operational consideration. In addition, there's the question of storage of the material between pickups. We don't like to keep materials contaminated with food residues on the premises because of the sanitation threat." *Chet England, group director, quality assurance, Burger King*

☐ **For those who are not yet recycling, what benefits do you think you would enjoy if you were to participate?**

"We'd be better citizens. We also might be able to cut back on disposal costs. It may be a cheaper way to get rid of the trash." *Shelby Yastrow, legal counsel, McDonald's*

"I don't see the benefits. In all honesty, we want to make sure everybody else is in the same boat we are with this before we do anything. While we all want to comply with a law, nobody wants to give away a competitive advantage or conversely, become part of a competitive disadvantage." *Chet England, group director, quality assurance, Burger King*

☐ **For users of single-use disposable food containers, what about reducing the amount of packaging you use or switching materials?**

"Switching to paper from plastic or plastic to paper is not the answer. The point is that we have to eliminate what goes into the landfill. I believe recycling will help do that." *Shelby Yastrow, legal counsel, McDonald's*

"If we served on plastic plates and washed them every night and served the product naked, that would reduce waste, but we wouldn't be a fast-food restaurant any more. Portability, quickness, low cost—those are what make fast food unique. When you eliminate any combination of those qualities, you're out of the business." *John Merritt, vice president of legal affairs, Hardee's*

"I experimented in my store. I put both the foam and the paper hot cup with a handle on my carryout counter and let people select which they wanted. Nine out of 10 people elected to take the foam product." *Frank Kalmar, Lox, Stock and Bagel, Berkeley, Calif.*

Frank Kalmar, Lox, Stock and Bagel

WASTE CRISIS

Contrary to popular opinion, foam food containers can be recycled.

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New York Gov. Mario Cuomo June 9. While New York will not fund the project, the state is supporting McDonald's efforts and will work in tandem with the company on a public information campaign (printed on McDonald's tray liners) that will alert customers as to how they can help to reduce waste.

Yastrow says he hopes recycling will save McDonald's a significant amount in avoided disposal costs, just as it did for the supermarket chain that Edwards cited.

Darlene Snow, waste-recycling programs manager at the National Solid Wastes Management Association, says Yastrow's idea is generally sound, but cautions, "There are a lot of factors that determine whether or not you're going to get a rebate from your hauler." According to Snow, hundreds of wastehaulers are getting into the recycling business.

She suggests restaurants do some homework to find out how they might benefit. First, operators should determine what kinds—and what volume—of recyclable commodities can be separated out of their trash. Paper, glass, aluminum and plastic all have different recycling values. Second, she suggests they find out who in the area will buy recyclable materials and what must be done to get them to the recycling center. If recycling centers are far away, it may cost to get the material there. Tallying up the answers will tell an operator how much he would earn if he recycled the waste himself.

Once that is done, says Snow, "The operator has a negotiating tool. He can approach his refuse hauler and say 'Look, if I recycle by myself, I'll get this much back from the recycling center. In addition, I believe by recycling this volume I can cut back my service to three times a week instead of four.'" If an operator shows that he knows the worth of his trash, Snow says, "The refuse hauler is more likely to give him a rebate for his recyclables."

If recycling through a waste hauler is not possible, restaurants can collect their recyclables and sell directly to local dealers at recycling centers or participate in programs where dealers pick recyclables up.

The best way to find out about recycling dealers on a local basis is to check the Yellow Pages under recycling and waste paper headings. Chains researching recycling on a state-by-state basis can write to the National Recycling Coalition, Box 80729, Lincoln, Neb. 68501, for a list of the 25 states that have recycling associations that track recycling centers in their respective states.

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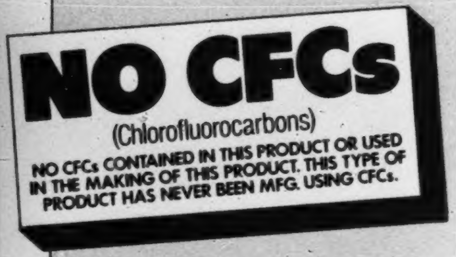
McDonald's is recycling foam food containers into insulation board for use in commercial construction.


NO CFCs
(Chlorofluorocarbons)
NO CFCs CONTAINED IN THIS PRODUCT OR USED IN THE MAKING OF THIS PRODUCT. THIS TYPE OF PRODUCT HAS NEVER BEEN MFG. USING CFCs.

The Foodservice & Packaging Institute met with key environmental groups in April to announce that food container manufacturers will stop using all chlorofluorocarbons (CFCs) by the end of 1988. Chlorofluorocarbons, non-toxic gases used commonly to cool refrigerators, propel aerosols and "puff" foam food containers, were linked in 1974 to the depletion of the ozone layer that protects the earth from cancer-causing ultraviolet radiation. The Institute's announcement far exceeds government expectations of a 50% cut in CFC usage by the year 2000.

WASTE CRISIS

Restaurants in most major cities will be required to recycle in the next five years.

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Of course, recycling would not be possible if markets for the materials did not exist. Currently, markets for paper and aluminum are strongest, followed by glass and, lagging far behind, plastic. Helping things along, several states —Illinois, New Jersey, Pennsylvania, Michigan, Oregon, North Carolina and Wisconsin—are giving away tax credits, grants and loans to firms interested in getting into the recycling business.

Ed Carreras, a principal engineer with Philadelphia-based Day and Zimmerman, one of the largest privately held engineering firms in the country, says his company is planning to take advantage of the credits by building a plastics recycling facility in the New Jersey area. "We're zeroing in on polyester soft drink bottles and polyethylene milk bottles, but we'll be able to take mixed plastics in and process those as well," says Carreras.

Carreras is optimistic about markets for recycled plastics. "There are plenty of markets for recycled plastics because plastic is an engineering material. Depending on how far you process it, you can make pallets, strapping materials or even some high-quality automobile parts from recycled plastics."

Asked about the potential of recycling expanded polystyrene containers as one manufacturer is doing for McDonald's, Carreras responds, "Polyester, polethylene and polypropylene are more valuable materials, but in the near future I would say EPS will definitely be worthwhile to process."

While recycling, with all of its challenges, is the popular focus of legislators today, incineration is still considered a necessary part of the garbage-crisis solution. Seventy-four waste-to-energy plants are now in operation; another 34 are in construction, with additional systems in the planning stages. Most waste management experts look at incinerators as the step following recycling in the waste-handling chain: What cannot be recycled should be burned, energy from the burning waste captured and "recycled." Landfills would thus be reserved solely for incinerator ash.

Whether this progression—reduce the amount of waste generated, recycle, burn and, finally, bury—shapes up to be the best answer to the garbage crisis remains to be seen. The restaurant industry has ample reason to lead the way toward a responsible waste-disposal policy: to preserve a good public image, to keep costs under control and to head off the threat of government regulation. Far better to help structure the solution than to be condemned as part of the problem. R&I

Businesses Can Recycle, Too!
Recycling Glass Turns Costs Into Profits
1-800-522-6799

Hundreds of restaurants, bars and hotels are recycling glass as part of the California Glass Recycling Corp.'s Phoenix Project.

WASTE LEGISLATION AFFECTING THE FOODSERVICE INDUSTRY

The following list charts the passage of key waste-related legislation into law. Nearly 200 more waste-related bills are pending before state legislatures.

***April 20, 1987:* New Jersey mandates separation and recycling of solid waste to reduce the state's solid waste stream 25% by 1991.**

***July 2, 1987:* Connecticut mandates separation and recycling of solid waste to reach a goal of 25% reduction of the annual tonnage of the state's waste by 1991.**

***Oct. 1, 1987:* California Beverage Container Recycling and Litter Reduction Act goes into effect, establishing a 1 cent deposit and goal of redeeming 65% of all beverage containers by 1990.**

***April 29, 1988:* Suffolk County, N.Y., bans the use of polyvinyl chloride food wraps and polystyrene packaging in restaurants, bars, delis, grocery stores and other retail food establishments effective July 1989.**

***June 15, 1988:* Berkeley, Calif., City Council tentatively approves two ordinances restricting the use of plastic food containers. One bans foam containers made with CFCs. The other, to take effect in 1990, bans Styrofoam altogether.**

JOB$ '88

IS FOODSERVICE IN YOUR FUTURE?

Fast-track advancement, a chance to serve and meet people, exposure to good food and pleasant surroundings, flexible hours, entrepreneurial opportunities: These are some of the rewards of a career in foodservice.

The drawbacks: long hours, unending physical demands, periods of high stress, unreasonable customers, little recognition, low pay, government mandates, growing competition and a future fraught with risk.

Do the rewards of a career in foodservice outweigh the drawbacks? The attitudes expressed by 2,200 respondents to *R&I*'s 10th Annual JOB$ Survey send out mixed signals. A majority of managers and executives are happy in their work, but remain unsure about their future in foodservice. In Part II of the JOB$ survey analysis, *R&I* takes a look at what makes today's executives happy in their jobs and what they expect from their employers. These factors could make the difference between tomorrow's success stories and failures.

Into the future: The foodservice industry is driven by proud and ambitious business leaders. JOB$ survey results show nearly 58% consider foodservice a prestigious career, 42% say it offers better opportunities for advancement than other industries, and almost 65% say they are challenged by their job.

On the other hand, less than 30% say foodservice pays well. Only 31% feel their organization has laid out a clear career path for them, and only 33% do not worry about job security. These attitudes account for the growing number of executives who see themselves working in a different industry within five years. The percentage of those who anticipate changing careers within five years is 11.7%, up from just over

☐ *Foodservice executives find their work satisfying, but remain unsure about their future.*

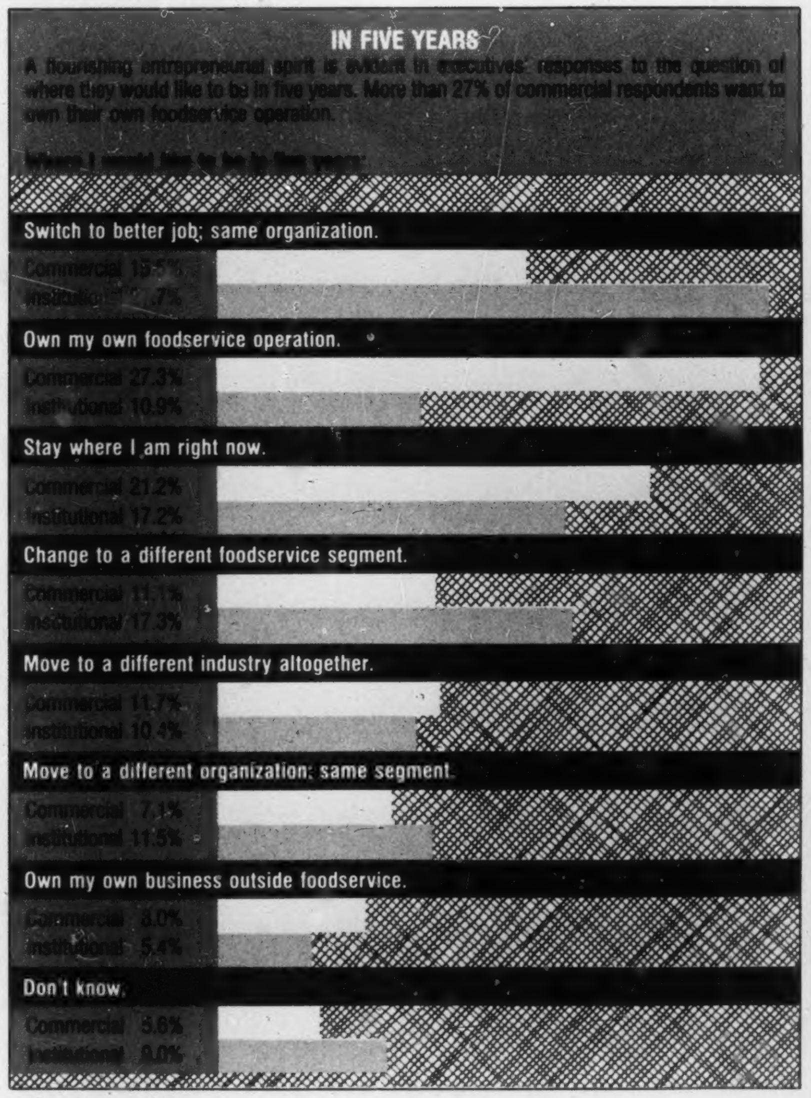
9% in 1987.

Young people are especially impatient with the status quo. The survey indicates that the industry must continue to work hard at promoting foodservice as a career to its young leaders; 14% of those age 25 or younger say they want to change careers, up from 9.2% a year ago. Also, more than 20% of company presidents say they want out of foodservice within five years, compared to 8.7% of vice presidents.

When asked where they want to be in five years, the leading response by foodservice executives is "in a better job within my current organization." But at the same time, the percentage giving this response dipped from 25% in 1987 to 21.8% this year. A weakening of company loyalty is even more apparent in commercial segments, where 17.5% express interest in moving up the ladder from within, compared to 23.2% a year ago. Also, in 1987, 46.9% of regional managers said they wanted a better job within their organization. That percentage dipped to 31.8% this year.

Despite all the headaches and hassles of running the show, owning a foodservice operation is the aspiration of 20.4% (27.3% of commercial respondents vs. 10.9% institutional), up from 18.9% in 1987. Food and beverage directors (37.1%), executive chefs (34.8%) and unit managers (32.4%) report the greatest interest in venturing out on their own.

At the same time, the number of respondents who hope to own a business outside the foodservice industry also increased, from 5.7% in 1987 to 6.9% in 1988. More than 10% from the fast-food segment want to own a business outside foodservice.



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JOB$ '88

Despite the headaches of ownership, more execs aspire to run their own show.

Working in another segment of the industry within five years is on the mind of 13.7%, up from 11.8% a year ago. More than 17% on the institutional side plan to make the switch, including 22.8% of assistant food and beverage directors and 18.2% of dietitians.

Survey results also reveal that one in five respondents has no plans to change jobs within the next five years.

Rising to the occasion: Survey results reveal that the most challenging work can be found in the hotel/motel segment. More than three-quarters of lodging respondents say their work is challenging, 21.4% say it is routine and 2.6% are just plain bored. Not surprising are results that show 44% of fast-food management staffs find their jobs routine, while 54.7% say their work is challenging.

By position, assistant unit managers are the least challenged; 11.4% are bored and 52% refer to their job as routine. Most challenged are vice presidents (85.6%) and food and beverage directors (74%).

The survey also reveals that challenge increases with age. Only 55.5% of those under age 25 say they are challenged, compared to 71.4% of those aged 56 to 65.

Current attitudes: People outside the industry usually do not associate foodservice with prestige. Comedians are always poking fun at fast-food restaurants. Customers love to needle and criticize celebrity chefs and arrogant owners. But on the inside, 58% (62.5% commercial vs. 51.3% institutional) of JOB$ survey respondents feel a career in foodservice is prestigious. Even in the often maligned fast-food segment, 54% believe they are working in an honorable field. More than 72% of executives from private clubs feel pride in their occupation. This sense of pride does not run nearly as high on the institutional side. Only 47.3% of employee-dining executives say foodservice is a prestigious career, while 65% of military and correctional facility managers feel important in their job.

The prestige factor also correlates to age. Esteem runs high (63.7%) for those under age 25, decreases to 53.5% for those aged 26 to 35 and then steadily increases to 70% for respondents aged 56 to 65 and 86% for those over age 65.

Many business executives feel that company loyalty is an outmoded idea. Not so in the foodservice industry. Old-fashioned values prevail, with 71.3% disagreeing with the idea that loyalty is outmoded. Survey results indicate loyalty is the strongest in the West and weakest in the Northeast.

Job security is top of mind with just about everyone, especially those in foodservice, as 61.6% disagree with the statement: "I don't have to worry about job security." Hotel/motel and employee-dining executives express the most concern, while respondents who work for fine-dining restaurants feel the most secure in their positions. Job security is a concern of 59% in the

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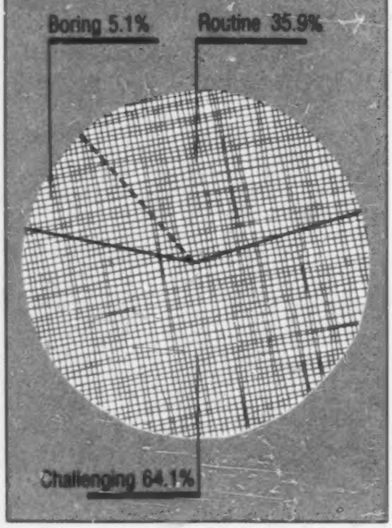
NEVER A DULL MOMENT?

Job challenges exist for those in the fine-dining, lodging and school segments, but the routine has soured for fast-food and health-care execs.

My job is:



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INDUSTRY ATTITUDES REMAIN POSITIVE

Pride in the foodservice industry and the desire to pursue a foodservice career are still prevalent attitudes but they could be in jeopardy. The drawbacks of the industry may begin to outweigh the rewards unless foodservice leaders do more to provide increased job security, better pay and a more clear-cut career path.

	Agree	Disagree	No opinion
Foodservice is a prestigious career.	57.8%	31.9%	10.3%
I don't have to worry about job security in the foodservice industry.	33.5	61.6	4.9
Foodservice pays well.	29.7	62.1	8.2
Foodservice offers me better opportunities for advancement.	41.6	39.8	18.6
My job does not make the best use of my talents.	42.9	50.4	6.6
My organization lives up to employee commitments.	61.5	28.7	9.8
My organization has a clear career path laid out for me.	31.0	51.7	17.3

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JOB$ '88

Old-fashioned ideas about company loyalty still prevail among foodservice executives.

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labor-strapped Northeast, compared to 65.2% in the West.

The foodservice industry's reputation for low pay is well-deserved. When asked if foodservice pays well, only 29.7% agree. Almost 35% from the South feel well-compensated, vs. 25.7% in the West. Thirty-four percent of male respondents are happy with their salary, compared to 22% of females.

No matter how much anyone earns in salary, is it ever enough? Apparently not, because one-third of the respondents are supplementing their income. Fully 40.5% of owners and 42.4% of company presidents supplement their income. Only 27.5% of unit managers and 26.4% of assistant unit managers report supplemental income, probably because their full-time jobs absorb too much energy.

For 49% of the respondents, supplemental income accounts for less than 10% of their total income. But for 24.2%, secondary sources account for more than 25% of their total income.

Almost 39% report the second source comes from a business they own. For about a third of those, that business is foodservice-related. More women report joining the entrepreneurial ranks this year, as 36.5% say their additional income comes from their own business, compared to 29% a year ago.

Consulting and catering are growing in popularity as opportunities for moonlighting. Almost 40% of dietitians say they consult part-time, as do 30% of vice presidents. More than 30% of executive chefs, and food and beverage directors moonlight as caterers. Catering has been especially lucrative for respondents from the Northeast.

Certainly one of the advantages of a career in foodservice is opportunity. There never seems to be a shortage of available positions. Almost 42% (49% commercial vs. 31.5% institutional) agree that foodservice offers better opportunities for advancement than other industries. Respondents from the hotel/motel segment (63.3%) are the most optimistic, while only 27% of health-care managers have a positive outlook about foodservice opportunities. More than 70% of institutional respondents say they would not mind finding work in another segment of the industry.

Getting ahead: Money and responsibility continue to score the highest as reasons foodservice executives take a new job. This year, 40% say they switched jobs for responsibility and advancement, while 16.5% mentioned money. In each of these categories, the institutional percentage is higher than the commercial. Other leading reasons for leaving a job include relocation (6.3%), lay off or firing (4.8%), company closing (4.5%) and starting a business (3.2%). Less than 1% left to start a family or because of stress and pressure. Among college and school foodservice executives, neary 7% left for better hours.

On the home front: The growing pressures of a career in foodservice continue to take their toll on executives' private lives. Last year, only 30% said their career was having a negative effect on relationships. But in 1988, the percentage jumped to 36% (44% commercial vs. 24% institutional). Those who say their job is having a positive effect on their relationship decreased

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FOR LOVE OF MONEY

When asked why they left their last foodservice job, money was cited as the primary reason by 16%. Here is a breakdown by job:

Executive chef	28.9%
Food & beverage director	20.8
Unit manager	20.5
Foodservice director	19.1
Assistant unit manager	17.3
Dietitian	14.6
Vice president	12.7
Regional manager	12.0
Corporate staff	11.9
President	7.8

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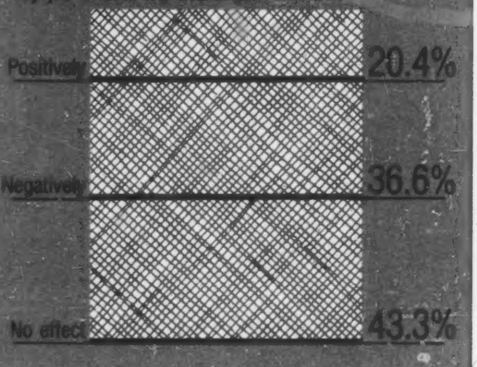
RAT RACE

Survey results indicate that a career in foodservice is having more of an adverse effect on marriages this year than in the past, particularly among assistant unit managers and executive chefs.

My job affects my marriage:



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JOB$ '88

More than 40% say their career is having an adverse effect on their marriage.

DISCRIMINATION CLAIMS DECREASE

The percentage of managers and executives who say they have been discriminated against declined this year. Among the leading commercial segments, fine dining and hotel/motel report the most claims. The number of women reporting sex discrimination increased from 78.9% to 81.8% this year.

	Fine dining	Mid-scale	Fast food	Hotel/ motel	Industry average
Race or ethnic	16.2%	10.1%	15.9%	19.6%	13.4%
Religion	8.1	6.1	6.3	6.5	6.0
Age	70.3	55.6	55.6	65.2	53.0
Sex	35.1	42.4	34.9	28.3	46.8

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from 26.8% in 1987 to 20.4% in 1988.

Owners, unit managers, assistant unit managers and executive chefs are having the most trouble juggling their jobs and private lives, while company presidents and dietitians are having the most success. It should also be noted that 43.3% say their job has no effect on relationships.

Striding toward equality: Slowly but surely, the foodservice industry appears to be making headway toward reducing discrimination claims. This year, the percentage of racial or ethnic, religion, age and sexual discrimination claims all decreased slightly for the fifth straight year. Perhaps the main reason behind this trend is the number of internal protests being lodged, which increased dramatically from 5% a year ago to 30% this year. While 289 respondents say they did nothing this year in reaction to perceived discrimination, 200 protested. Also, 183 left the company and 21 filed a complaint with the Equal Employment Opportunity Commission.

—Jeff Weinstein

This little Quail could be one of the Biggest Profit Makers on your Menu

Partially boned European style, preinserted with our patented Grill Pin, a sure sign of Manchester Farms quality. Grill or broil it — or serve it roasted and stuffed. Serve it by itself — even as an appetizer — or serve it in combination with a meat item such as filet mignon. However you serve it, Manchester Farms Quail is always in good taste — light, juicy and flavorful — the taste America wants.

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LEGISLATION

Latest Burden: Plant Closing

Sixty-day advance notice requirement will become self-fulfilling prophecy.

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The plant-closing bill will force restaurants to give 60 days' advance notice of closings or large layoffs.

Many industry leaders wonder, "Why bother?" If operators are required to announce a restaurant's closing 60 days in advance, they might as well shut the doors right then and there.

The latest mandate coming out of Washington, D.C., will require businesses with 100 or more workers to give 60 days' advance notice of impending closings or layoffs of 50 or more employees.

The measure was part of the trade bill until June, when President Reagan vetoed it because he felt the plant-closing provision would hamstring business and discourage the creation of new jobs. Sen. Howard Metzenbaum (D-Ohio) introduced separate plant-closing legislation shortly thereafter, and with the help of pro-labor forces, is expected to override a presidential veto the second time around. GOP amendments that would have tempered the legislation, deleting the requirement for advance notice in the event of layoffs and allowing employers to give severance pay in lieu of notice, were defeated.

As a result, operators of larger establishments will have more difficulty making a last-ditch effort to turn around a sagging business. Every employer hopes tomorrow will be better than yesterday, but they may not be able to make that prediction 60 days in advance.

"The bill is great if you have the clairvoyance to know if you're going out of business in 60 days," says New York Restaurant Association President Fred Sampson. "But that is not the way things work in this business. If you have to give 60 days' notice, you will frighten away creditors and suppliers and will not be able to keep employees."

Proponents of the legislation cite a report issued by the Bureau of Labor Statistics that shows half of the 11.5 million workers displaced between 1979 and 1983 lost their jobs in plant closings and half in workforce reductions. This displaced group was surveyed in 1984 and 40% were still jobless. Of the 60% who did find work, less than half were earning as much as they had in their previous jobs.

> "If you have to give 60 days' notice, you will frighten away creditors and suppliers."

But New York City restaurateur Michael Weinstein says that while labor statistics justify legislation to counteract moves made by some industries, it is totally inappropriate for the restaurant industry.

"Waiters, waitresses and back-of-the-house employees will quickly find another position, whereas auto plant workers may not," says Weinstein. "Waiters are in demand in this expanding service environment and are not looking for $20 an hour . . . This legislation will create restaurant operations that will not be able to function the moment notice is announced. No one will come to work for the restaurant and those who have highly transferable skills will leave immediately."

The National Restaurant Association lobbied against the bill, but according to Ron Sarasin, director of government communications for the NRA, "When you try to explain to congressmen that many restaurants are unable to look two months

85% of restaurants fail within the first five years.

into the future, the argument you get back is that the legislation will not affect restaurants. They don't think restaurants have that many employees."

But in major metropolitan areas like New York, there are at least 75 operations employing more than 100 personnel for 20 hours or more a week.

How can restaurant operators beat this bill? They can try to keep the number of employees under 100, but industry experts agree that if operators need 100 employees to operate efficiently, they would be penny-wise and pound-foolish to run short staffed. If operators try to ignore the law, they could be forced to pay a fine and reimburse each employee for 60 days of wages.

A reasonable alternative to the bill considered acceptable to the industry would have been to let each company establish its own policy. "One of the reasons unions were formed was to address these issues in contract negotiations," says John Hinkle, vice president and lobbyist for the Kentucky Retail Federation. "Rather than negotiate something away for the privilege of plant closing, the unions decided to go for it in legislative form so they wouldn't have to waste a negotiating tool. That is a pattern we've seen emerging in quite a bit of legislation."

Some larger, multi-unit operators, such as Max Pine of Restaurant Associates in New York and Richard Melman of Lettuce Entertain You in Chicago, are less concerned about the effects of plant-closing legislation. Melman says he can incorporate many employees into another operation. Pine, while opposed to further government "meddling" into business, says he sees no problem giving 60 days' notice.

> "It puts entrepreneurs at an extreme disadvantage. They risk capital and should be entitled to the best return or limited losses."

FAILURES AND STARTS DECLINE

In the first quarter of 1988, the number of eating- and drinking-place starts declined 7.7% and failures were down 4.3%. Those numbers should help soften the impact of the plant-closing bill.

	Eating Place Failures		
	1st Q, 1987	1st Q, 1988	% Change
New England	14	14	0.0%
Middle Atlantic	54	95	75.9
East North Central	136	117	-14.0
West North Central	41	45	9.8
South Atlantic	62	76	22.6
East South Central	29	43	48.3
West South Central	126	91	-27.8
Mountain	82	53	-35.4
Pacific	125	106	-15.2
Total	669	640	-4.3

The Dun & Bradstreet Corp.

Melman comments, "I would say four weeks would be more appropriate. And you might want to give more time to employees who have been with you for five years or more."

How this bill will actually affect operations remains to be seen because it has been so rare for a restaurant to actually plan its demise that far in advance. Like the closing of a Broadway play, it usually happens on the spur of the moment.

But the NRA's Sarasin says the law will make it more expensive to go into business: "The risks become greater and it becomes an added cost to doing business. The person who dreams of owning a restaurant will look at all the recent mandates and realize the risks are too great. A Ray Kroc of the future may never open.

"Plant closing is another step toward the Europeanization of the American work force, with all the rigidities and lack of incentives to create new jobs."

Weinstein comments, "It puts entrepreneurs at an extreme disadvantage. They risk capital and should be entitled to the best return or limited losses for taking that risk. This bill tells the entrepreneur, 'We don't want to limit your losses. You have to announce a closing.'"

—*Jeff Weinstein*

POSSIBLE LOOPHOLES

While they might create a litigation nightmare, two exceptions are built into the plant-closing bill. Shutdown can be ordered before the end of the 60-day notice period if, at the time notice would have been required, an operator could have avoided or postponed shutdown by actively seeking capital or business. Also, closing or layoffs could be ordered before 60 days expire if unforeseeable circumstances such as natural disaster and sudden, unexpected and dramatic changes in price or cost occur.

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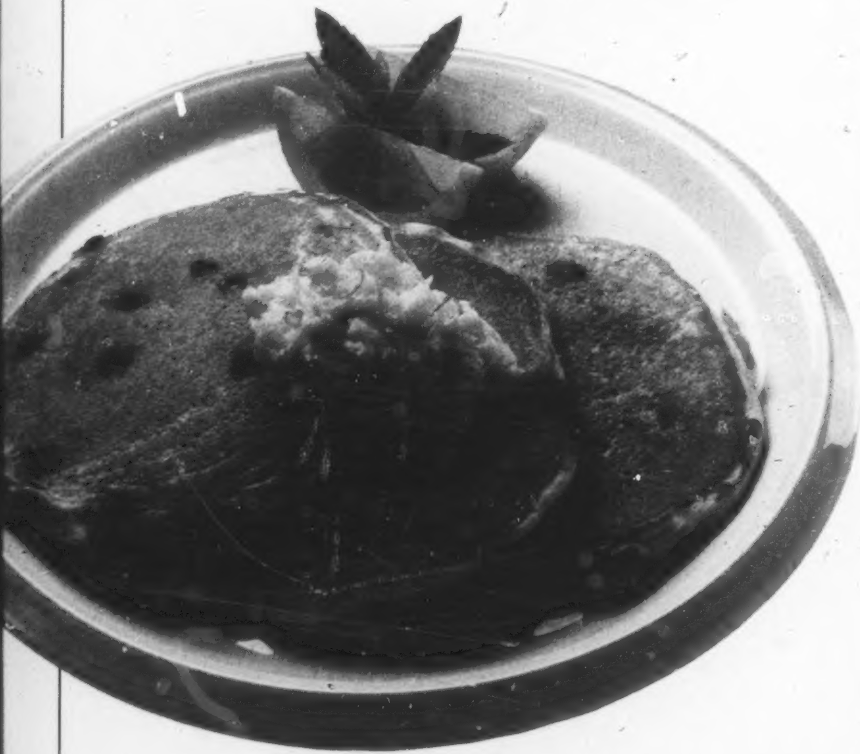

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R&I EXCLUSIVE

EXPANSION STRATEGIES

1988 GROWTH CHAINS

Conservative concepts and expansion plans distinguish this year's group of up-and-comers.

This year *R&I* has narrowed its focus in choosing the 1988 Growth Chains. The group is smaller than in previous years, a sign of the maturing industry and entrepreneurs' realization that the restaurant business requires lots of hard work, as well as hard cash. Executives that head the Growth Chains are more conservative than their predecessors.

Most are foodservice veterans who know the perils of expanding too quickly, and have tailored plans for their new companies accordingly. "We need to take care of franchisees—we can't go wild," explains Kenneth Zmudzinski, president of Hacienda Franchising Group, Mishawaka, Ind. The chain will open three Mexican restaurants this year, and three next year. Simon Hsu, who is trying his hand at Chinese fast food with Bakersfield, Calif.-based Mandarin Express, agrees. "Things are coming along, but not quickly," he says, adding that his eight-year-old company broke even just last year.

The up-and-comers also stick to safe menu concepts, most of which were pioneered by former Growth Chains companies. The section on sweets profiles eight cinnamon roll chains, a trend started by Kansas City, Mo.-based T.J. Cinnamons, *R&I*'s 1986 cover company and now No. 358 in the "400." Double drive-thrus dominate the burgers section, as they have for the past two years. Several operators are reviving tried-and-failed concepts, namely fast-food Chinese. But this time around, they are focusing on delivery and takeout, both hot foodservice trends.

Former Growth Chains companies would probably agree that the restaurant industry is best mastered with a blend of caution and creativity. For that reason, the Growth Chains of 1989 may be the most likely to succeed.

—Lisa Bertagnoli, Beth Gotschall, Julie Mautner and Brian Quinton

RESTAURANTS & INSTITUTIONS

Ben & Jerry's, Waterbury, Vt., is profiled in the section on sweets.

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1988 GROWTH CHAINS

PIZZA/ITALIAN

New entrants to the hotly contested pizza/Italian market have to find different ways to slice the pie. Some do only takeout or take-and-bake; others have switched to "Americanized" menus or Italian items other than pizza. One '88 Growth Chain undersells Domino's; another beats Spago. And many are thriving by going where the big players are not—smaller markets.

B.J. BERI'S

Headquarters: Columbus, Ohio
Projected 1988 sales: $3.7 MM
Units: 2
President: Jack Chabot

The four General Mills veterans who opened the first B.J. Beri's in New Jersey in 1985 waited two full years to build their second in a Pittsburgh suburb. They will wait longer before opening a third. "We're always looking for sites," says Operations Director Bill Gibbons. "But we go slow and get things right before moving ahead."

Getting things right has meant broadening the original "90% Italian" menu to include burgers, sandwiches and steaks. To build lunch-time and repeat business, Beri's offers reduced portions of dinner entrees, costing $5 or $6 less than the larger size. Checks (including both food and liquor) average $11 at the New Jersey Beri's, where total food and beverage sales were $2.33 million last year and $9.35 at the Pittsburgh unit, with 1987 sales of $1.2 million.

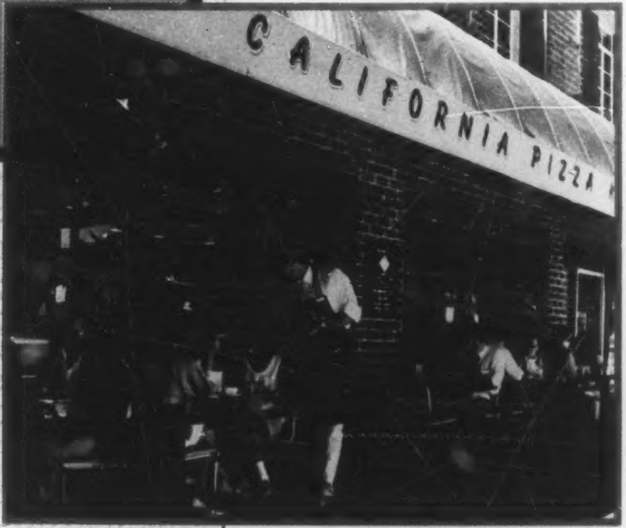
CALIFORNIA PIZZA KITCHEN

Headquarters: Beverly Hills, Calif.
Projected 1988 sales: $14 MM
Units: 7
Founders: Larry Flax and Rick Rosenfield

California Pizza Kitchen's founders backed into foodservice when their law practice took on a Beverly Hills restaurateur as a client. Now CPK sells "designer pizzas" at wholesale prices in Los Angeles, Beverly Hills, Honolulu and Atlanta, with Chicago, New York and Japan as possible future markets.

Super-hot, wood-fired ovens bake without drying out the toppings, ranging from blackened shrimp with smoked pork loin, to Peking duck, to Andouille sausage in Cajun sauce. Pasta, calzone, grilled homemade sausage and desserts round out the menu. Rosenfield says the $6.50-to-$9 entree prices are aimed at "people who are tired of spending $60 to $100 for dinner for two." Check averages are $9 at lunch and $11.50 at dinner. All stores do takeout and most have seating for 80 to 200, largely in outside mall sites.

Pizza Kitchens targets high end.



CAPTAIN TONY'S PIZZA & PASTA EMPORIUM

Headquarters: Rochester, N.Y.
Projected 1988 sales: $5.5 MM
Units: 8
President: Michael J. Martella

So far Captain Tony's has stayed close to Rochester, where Martella's father founded it in 1972. But the Captain is now shipping out for foreign ports; last July the chain contracted with a British franchisee to open at least 100 Tony's in the United Kingdom. On native soil, Captain Tony's has tapped into the market for quality pizza with 20 toppings, from pepperoni to pineapple, on regular or whole-wheat crust. Specials include five cheese, white clam and pesto pies. Prices range from $2.75 for an individual pie to $12.95 for the deep-dish Captain's Classic; the average check is $11. Stores also offer baked chicken wings and subs.

Average unit volume is $375,000. The company charges a $15,000 franchise fee, with a 3% royalty and 2% ad fee. Start-up costs for a 1,000-square-foot unit run about $55,000.

CASINO'S PIZZA

Headquarters: Miami
Projected 1988 sales: n/a
Units: 25

Casino's is a two-year-old pizza takeout and delivery chain drawing customers from the lucrative Dade and Broward counties in Florida. The company has franchised 23 locations and is now looking for multiple franchisees to open three stores at a time; the expansion goal at Casino's is 70 units in Dade, Broward and Palm Beach counties by

Casino's is big on phone orders.

the end of 1988. Future development targets include the Baltimore-Washington, D.C., corridor.

The Casino's menu is straightforward: primarily pizza. The company has just taken its show on the road, in a 36-foot trailer equipped to make and sell pizza on site at sporting events and other high-traffic locations.

FOX'S PIZZA DEN

Headquarters: Pittsburgh, Pa.
Projected 1988 sales: n/a
Units: 110
President: Jim Fox

While growing from a single store to the 16th largest pizza chain in the country, Fox's Pizza Den has not strayed far from its beginnings—in either its menu or its markets. Jim Fox opened his first unit in western Pennsylvania in 1971, and that's where most of the Pizza Dens are today. Besides pizza and hoagies, they still sell the "Wedgie," a sandwich of cheese, ham or beef, onions and sweet peppers on pizza crust rather than bread.

The Dens are most often small stores of 800 square feet in small towns of about 6,000 people where rents are low. Average unit volume is $200,000. The chain's systemwide sales were more than $20 million in 1987. Franchisees pay $8,000 for a license and a flat $200 monthly fee.

PIZZA DISPATCH

Headquarters: Pompano Beach, Fla.
Projected 1988 sales: n/a
Units: 8
Director of development: Greg Sausaman

Not yet six months old, Pizza Dispatch has attracted more than the usual industry attention simply because of the names behind it: Tom Monaghan and Domino's. The new chain is a wholly owned but autonomous subsidiary of the No. 2 pizza feeder. Sited in central Florida, it has plans for 38 more stores around Miami-Fort Lauderdale in 1988.

Pizza Dispatch sells a 10-inch cheese pizza for $4.20 and a 14-inch pie for $6.15. That's two inches smaller and about 30% cheaper than the corresponding pies at Domino's, allowing Pizza Dispatch to target singles and small families. The typical store is about 1,000 square feet and serves a two-to-three mile territory (which may intersect with the areas already served by Domino's). As with Domino's, all stores are takeout and delivery only; and like the parent company, Pizza Dispatch offers "free delivery in 30 minutes or $3 off."

SAUCY'S PIZZA

Headquarters: Everett, Wash.
Projected 1988 sales: $7 MM
Units: 73
President: Gary Alcombrack

Saucy's, begun in 1982, is now the nation's largest take-and-bake pizza chain, according to Alcombrack. The menu mainstay is a pizza that customers bake at home for 10 to 12 minutes, producing a "fresher, better" gourmet pie than that baked in a store. Crusts are made and cooked partially by an independent bakery, then flash-frozen to halt yeast action. When the dough thaws at the store and bakes at 425F in the customer's oven, the yeast reactivates to form an even crust.

Eliminating in-store ovens cuts overhead and lets Saucy's go after the price-conscious pizza consumer; pizza check averages run about $9. Prices for the 12- or 15-inch pies range from $5 to $15. Saucy's favors strip-mall sites in markets too small to draw large national franchisors. Alcombrack plans to have 300 units operating by 1990. Most of these will be the new Saucy's Super Stores, selling subs and frozen yogurt as well as take-and-bake pizza.

Yogurt builds Saucy's traffic.

SAUCY'S PIZZA FROZEN YOGURT BAR

THE SPAGHETTI SHOP

Headquarters: Evansville, Ind.
Projected 1988 sales: n/a
Units: 8
President: Jim Teaters

In 1984, Jim Teaters was a former manager at Arby's, Pizza Hut and Burger King, in search of a new fast-food concept. In 1985, he found it—spaghetti. For less than $8, Spaghetti Shop customers can pick up a half-gallon container with four 16-ounce servings of pasta over 24 ounces of hot meat sauce along with a loaf of fresh garlic bread. The insulated bucket holds the pasta above 140F for 45 minutes, long enough for the customer to get home and toss noodles and sauce together.

The Spaghetti Shop

Diners take to takeout pasta.

Teaters says he'll keep the concept in the Midwest for now and hopes to have 11 stores by the end of 1988. Franchise fees are $20,000 with 4% royalties; a start-up costs around $120,000.

1988 GROWTH CHAINS

CASUAL DINING

Like all chains, casual-dining restaurants compete for the 18- to 45-year-old market, and so points of difference are crucial to success. No longer content with basic coffee shop menus, operators are focusing on specialty foods, from half-pound burgers and spiced chicken wings to premium ice cream. Low prices and good service—including valet boat docking—complete the packages.

GOLDEN GREEK RESTAURANTS

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $6.3MM
Units: 21
President: John B. Leger

Golden Greek Restaurants, all of which are located in food courts, offer Greek and Middle Eastern food. The best-selling item is the gyro sandwich, priced at $3.75. Checks average $4; average unit volumes are $300,000.

GGI Enterprises Inc., franchisor of Golden Greek, hopes to open 12 more restaurants this year and 20 more during 1989. The company's top priority, however, is to make a public stock offering within the next 12 months. If that happens, the company will step up expansion, says Alfred N. Miller, vice president of sales.

MELONS

Headquarters: Clearwater, Fla.
Projected 1988 sales: $5MM
Units: 5
President: Russell Latimer

Melons, which markets itself as an upscale neighborhood pub, offers chicken wings, sandwiches and seafood. Wings, the chain's specialty, come in a variety of flavors and are sold in quantities of 10 for $3.25, 20 for $6.25 and 50 for $12.95. Food accounts for 55% of sales. Average unit volumes are $1.1 million. Checks average $5.

The chain's franchising program is complete and the Melons name has been trademarked. The chain plans to expand first in Florida, and then look for locations in the Southwest and Midwest. Two more Melons are expected to open in November in the Florida Keys.

NEWPORT CREAMERY

Headquarters: Middletown, R.I.
Projected 1988 sales: $27MM
Units: 38
President: Peter Rector

Newport Creamery began back in 1940 when the father of the current president took his own father's prospering dairy business one step further and opened an ice cream shop called The Milk Bar.

Today, the restaurants offer much more than ice cream and sundaes. Platters, priced from $3 for a cheeseburger with fries and coleslaw to $4.50 for fried clams, fries, coleslaw and a roll; sandwiches ($1.95 for a mushroom burger) and salads pull in lunch and dinner crowds.

Ice cream still is the star attraction. The 26 flavors, ranging from vanilla to butter crunch, are made in small batches with pure milk and cream from New England dairies.

Newport Creamery restaurants are located throughout Rhode Island, Massachussetts and Connecticut. All are company-owned and there are no plans to franchise. The company plans to open four more stores by the end of 1989. The units seat about 70 diners and have average unit volumes of $665,000. Checks average $3.40.

PAUL'S PLACE

Headquarters: Denver
Projected 1988 sales: $1.7MM
Units: 5
Chairman: Alan H. Marcove

Paul's Place features charbroiled hamburgers, priced at $1.89 for a quarter-pound burger and $2.79 for a half-

Newport Creamery has 38 restaurants in New England.

FOOD
ICE CREAM

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* R&I estimate

Paul's Place offers half-pounders.

pound burger. Chicago-style hot dogs, fish sandwiches, chicken sandwiches, chili and a salad bar round out the menu. Checks average $3.75 per person. The company would not disclose average unit volumes.

The first Paul's Place opened in 1985. The company made its first public offering in November 1986, and is traded over the counter. The restaurants, all company-owned, are located in and around Denver.

The franchise fee, now $20,000, is going up to $25,000 Oct. 1. Royalties start at 3%, increase to 3½% during the second and third years of operation, and then to 4% for the fourth year of operation.

PLUSH PIPPIN

Headquarters: Federal Way, Wash.
Projected 1988 sales: $20MM*
Units: 16
President: Jack Sutton

Plush Pippin, started 15 years ago, now operates restaurants and pie shops. The menu offers burgers, salads and several dinner plates, such as halibut steak. No alcohol is served. Pies and desserts account for 18% of sales. Of the 32 varieties of pie, the best seller is apple made with Pippin apples. A slice costs $1.55 and a whole pie sells for $5.60.

The 19 pie shops, which offer pies, quiche, beverages and sandwiches for takeout, are located in Los Angeles-area shopping malls as well as Vons supermarkets.

The company hopes to open three more restaurants this year and six to eight more next year. The franchise fee is $35,000 with 4% royalties.

PREMIER VENTURES

Headquarters: Denver
Projected 1988 sales: $17MM
Units: 6
President: Phil Roberts

Roberts is a concept creator more than he is a chain restaurant operator. Premier's six restaurants are all in Denver. The concepts range from Caledonia's, a casual barbecue restaurant, to Marlowe's, a fine-dining restaurant that offers seafood, pasta, steaks and chops.

Roberts and designers did everything possible to make the latest restaurant, Sunset Beach Grill, look like a beach. The wait staff wears beach outfits and the beach area is covered with 430 tons of sand. Pizza, burgers, finger foods, Mexican dishes and specialty drinks are offered.

Premier's expansion plans are reasonable, considering the amount of work required to create different concepts and find suitable locations. Roberts plans to open one more restaurant this year and another next year.

SHOOTERS ON THE WATER

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $31.1MM
Units: 4
Founders: Reg Moreau, Mel Burge, Aurel Lahaye and Rolly Maranda

The first Shooters opened on the Intracoastal Waterway in Fort Lauderdale in December 1982. Offering indoor and outdoor dining, boat docking with valet assistance, a sundeck and 20- by 40-foot swimming pool for customer use, the Shooters concept caught on immediately. "The phrase 'overnight success' definitely applies," says Shooters' Jan Idleman.

Since then, the company has opened a unit in North Miami Beach (January 1987); a franchised unit in which the four principals are partners in Cleveland (June 1987); and most recently, a second franchised unit, in Sandusky, Ohio, one hour west of Cleveland, on Lake Erie. All units offer boat docking, indoor and outdoor dining and swimming. The Florida units also offer onboard foodservice. Shooters is currently looking at possible sites in 10 major waterfront cities, including Detroit.

The casual Shooters menu includes appetizers, sandwiches, pasta, prime rib, steaks, hamburgers and salads. Checks average $14 to $15. The Fort Lauderdale Shooters did $10.5 million in food and beverage in 1987, and ranked 14th on *R&I*'s 1988 list of America's Top 100 Independent Restaurants.

Plush Pippin features pies.

Premier's Sunset Beach Grill

TASTEE DONUTS

Headquarters: Harahan, La.
Projected 1988 sales: $15.4MM
Units: 54
President: Burgess McCranie

Despite its name, the company proudly touts itself as the home of the Kastleburger, a small hamburger that can be ordered with fries and soft drinks. Tastee Donuts is currently looking into an expanded morning fare—a full line of breakfast items including eggs, doughnuts, biscuits and sausages—to capitalize on the already-existent morning business.

Franchising fees are $20,000, with 5% royalties and an additional 4% for advertising.

1988 GROWTH CHAINS

SWEETS

Like the big sweets chains, smaller companies see wisdom in expanding menus. Cookie shops offer other baked goods, as do ice cream parlors. Cinnamon rolls remain a popular concept, and entrepreneurs rely on the smell to attract impulse buyers. Of course, the customer's health demands must be satisfied: Yogurt and low-cal ice cream do the trick.

ALL AMERICAN FROZEN YOGURT CO.

Headquarters: Portland, Ore.
Projected 1988 sales: $2.4MM
Units: 16
President: C.R. Duffie Jr.

When asked why he doesn't open a shop in downtown Portland, C.R. Duffie asks, "Why?"—then cites the fact that there is a competitor on every third corner. The frozen-yogurt chain operates strictly in malls and even shies away from food courts, where impulse buys such as yogurt suffer from the presence of full-menu chains like McDonald's.

The company has just begun to franchise and will expand into Texas, Arizona, Florida and Idaho (it currently operates on the West Coast and in the Northwest). Franchising fees are $20,000, with 5% royalties. The fee is scaled down for multi-unit operators. Nine stores are planned for 1988, with another 18 to follow in 1989.

Of the 50 flavors offered, 30 are standard, including vanilla and fresh-fruit varieties. There are 42 toppings; six to eight are fresh fruit and about 34 are various candy and granola blends. Yogurt by the cup is the mainstay, with a check average of $1.53, but yogurt pies ($7.95) and yogurt by the gallon ($10) are available. Liqueur flavors and non-fat varieties tempt the tastes of everyone from indulgers to dieters. Some units are testing baked goods, as well as soup and salad combinations, but Duffie does not think this kind of menu expansion will be pursued.

D'Lites Emporium has low-cal treats.

BEN & JERRY'S

Headquarters: Waterbury, Vt.
Projected 1988 sales: $4MM to $8MM**
Units: 70
Founders: Ben Cohen and Jerry Greenfield

The funky image of Vermont Holstein cows on rolling pastures, the photo of the company's namesakes on every carton and pure word of mouth has propelled Ben & Jerry's into consumer consciousness.

Heath Bar Crunch is far and away the best seller. Ice cream sells for $1.15 for a small size, $1.55 for a medium and $2.05 for a large. Ice cream cakes (priced from $10.50 to $29.95), cappuccino, fresh juices and regular coffees also are offered. Average unit volumes are $200,000 to $350,000.

Franchise fees vary, depending on whether the unit is free-standing, or located in a mall or shopping strip. Franchisees give 4% of monthly gross sales toward in-house advertising.

Ben & Jerry's will add 15 more stores in 1988 and another 60 to 70 stores in 1989. The company has one unit in Montreal, and more will open next year. Plans are set for units in Seattle, San Diego, Los Angeles, San Francisco and Denver. Also, negotiations for shops in Moscow, Tel Aviv and Australia are in the works.

CHRISTY'S FRESH CINNAMON ROLLS

Headquarters: Dallas
Projected 1988 sales: $750,000
Units: 9
President: Michael LaPay

This purveyor of fresh baked goods opened its doors in July 1987. Located in regional malls (with stores in Georgia, North Carolina, South Carolina, Texas and Virginia), Christy's offers a limited menu of hot cinnamon rolls, brownies, cookies, sticky buns and seasonal specialty breads. Franchise fees are $15,000, with 5% royalties, and the check average is currently $2.25. But this average, as well as average unit volumes of $150,000 to $175,000, could change soon.

Because bakery sales peak during morning hours, the Christy's team decided that something needed to be done to keep sales up all day. The need was compounded by the fact that most malls open at 10 a.m., thereby losing a good portion of potential morning sales. Hence, the first Philadelphia

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**Company estimate

Marvelous Muffins uses natural (and expensive) ingredients.

store, now open, will offer a full line of frozen yogurt in addition to baked goods. Four flavors from a line of 40 flavors are offered daily, along with 28 toppings.

Five stores will be added in 1988. The company is moving into urban settings, in addition to malls, and this, too, will help garner a share of morning trade. Expansion plans for 1989 are not yet set.

D'LITES EMPORIUM

Headquarters: Coral Springs, Fla.
Projected 1988 sales: $3.3MM
Units: 6
Founders: Gerald and Susan Corsover

When Susan Corsover underwent heart surgery at the age of 32, the strictures of her new diet were just one of many changes to be dealt with by the New York couple. The Corsovers moved to Florida in 1982 and, in a classic case of turning a bane into a blessing, opened their first sweets shop in Plantation.

The menu includes low-calorie ice cream, made through an agreement with a local dairy, low-calorie pastries prepared on pans requiring no fats or oils, low-fat cookies, and both hard and soft candies that are either free of sugar, low in calories or both. About 80% of the business is ice cream and it also is the only product the company provides to franchisees (fees are $12,000, with 4% royalties.) All other items are purchased by franchisees directly from the manufacturers.

Average unit volumes are $400,000, with check averages of $3.13. D'Lites will open six to eight stores in 1988, 12 to 15 in 1989.

MARVELOUS MUFFINS

Headquarters: Fullerton, Calif.
Projected 1988 sales: $1.2MM
Units: 5
Chairman: Peter Divona

On frequent trips to Canada, Karen Heyman, the founder of Marvelous Muffins, noted that muffin shops were as prevalent as hamburger stands are in the United States. With a Small Business Administration loan, she opened the first shop in Encinitas, Calif., in 1983.

In 1986, she teamed up with Peter Divona, president of California Cold Storage and Distributing Co., and a $1 million deal was made. The company has no franchises as yet, but should have 15 to 30 by the end of 1989. All expansion will take place in California. Strip centers with anchor stores are the locations of choice. Present unit sales volumes are $200,000.

In addition to more than 200 varieties of muffins (which sell for 95 cents), the chain offers Bake-Overs—pastries filled with ham, cheese, turkey, strawberries or vegetables. Cookies, brownies, and gourmet coffees and juices also are on the menu.

MOM'S CINNAMON ROLL SHOPS INC.

Headquarters: Englewood, Colo.
Projected 1988 sales: $6MM
Units: 26
President: Douglas Alvey

Founded in 1985, this cinnamon roll shop operates strictly through franchising. In 1988, franchise markets with a minimum of eight stores within a designated area are being offered in addition to individual deals. Franchise fees are $20,000, with 5% royalties. According to the company, franchisees have average net profits of 26.7%, with food costs averaging 17% to 19%. All supplies are secured through a single national distributor.

Twenty stores are due to open in 1988; another 45 are scheduled for 1989.

Check averages are $2.25 and unit sales volumes average $200,000. The menu includes four kinds of cinnamon rolls— original, pecan, raisin and whole wheat—with prices ranging from $1.25 to $1.35. Sticky buns are $1.45 and loaves of specialty breads sell for $2.99. Mini cinnamon rolls draw quantity takeout orders and sell for $4 a dozen.

MRS. POWELL'S DELICIOUS CINNAMON ROLLS

Headquarters: Idaho Falls, Idaho
Projected 1988 sales: $7MM
Units: 57
Founders: Dick and Gayle Powell

Dick Powell will tell you that his wife, the Mrs. Powell of the company name, can really cook. People were always asking for the recipe for her cinnamon rolls and, after a successful showing at the Idaho state fair, her first commercial venture, the seed for the concept was planted.

Mass production took off from 1981 to 1983, after the company decided to set up shop in local malls and shopping strips. Franchising began in December 1984 and now units are found across the United States. Only four of the 57 units now open are company owned. Seventy-five units are due to open in 1988 and an equal number in 1989. Franchise fees are $25,000, with 5% royalties. The company will concen-

continued on page 64

1988 GROWTH CHAINS

Some companies prefer to control the stores, while others prefer the freedom of franchising.

continued from page 61

trate growth in the New England and Midwest regions.

The top seller, of course, is the large cinnamon roll that made Mrs. Powell famous. The rolls go for about $1.25; check averages are about $2.20. In addition, Cinn-a-yum twists, also served hot, and Country Loaf, a two-pound white sandwich bread, are offered.

OH-LA-LA!

Headquarters: San Francisco
Projected 1988 sales: $3.3MM
Units: 9
President: Robert Moran

The gourmet cappuccino-pastry shop has a decidedly European feel to it. Founded by Monaco entrepreneur Phillipe Laik in 1982, the store promotes specialty coffee drinks and bakery products, from croissants to muffins. The stone-tiled, granite-countered units, all in the San Francisco Bay area, cater to the high-end consumer.

The walk-ups, which look like French coffee bars, have average unit volumes of $185,000, while the casual-dining units do $200,000 to $350,000 annually. The largest unit pulled in $1MM in 1987. Checks average $1.35 to $1.90.

Oh-La-La! has not entered the franchising arena, though the company has had "countless offers," according to Bob Moran. In the meantime, five or six stores will open in 1988, 14 to 16 in 1989.

PERKITS YOGURT

Headquarters: Cleveland, Tenn.
Projected 1988 sales: $6.84MM
Units: 62
Founders: Perk Evans and Kit Evans Henderson

It started out as a nice idea and grew into a nice, profitable idea. In 1985, the brother-sister team of Perk and Kit Evans decided to create a gathering place for friends in Cleveland, Tenn.

The store has an old-fashioned ice cream parlor ambiance that appeals to customers, according to Evans. Just one year after the first opening, the couple began franchising and now has agreements pending for expansion in Italy, France and Japan, as well as across the United States. Drive-thru units account for 30% to 35% of sales.

The average unit volume is $225,000. Twenty flavors of premium frozen yogurt, with toppings on display, head the bill of fare. A variety of Belgian waffles, waffle cones, hot fudge cakes and banana splits draw orders as well. Checks average $1.79. Franchising fees are $20,000, with 3½% royalties and 2½% toward ad promotions. The company will add 35 units in 1988 and 100 in 1989; and has contract agreements signed for 400 units over the next four years.

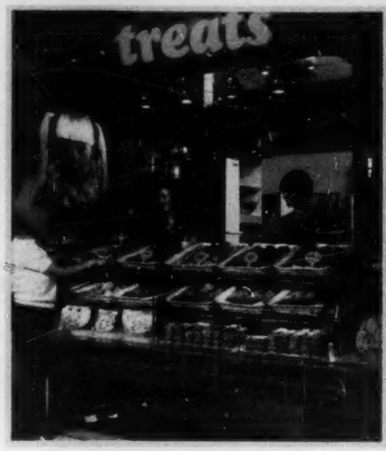
U.S.A. TREATS

Headquarters: Middlesex, N.J.
Projected 1988 sales: $4MM
Units: 20
Founder: Andrew Thorburn

After spotting an ad for a franchising opportunity in the *Wall Street Journal*, Andy Thorburn decided that the U.S. division of the Canadian-based Treats Inc. was an opportunity waiting to happen. In 1988, his company, Restaurant Management Corp., bought the rights to U.S.A. Treats Inc. and growth plans were set in motion.

The concept, found in malls and downtown office complexes, includes a menu with more than 50 flavors of freshly baked muffins (which account for 50% of sales). Crumbles (coffee cake muffins with a medley of fruit toppings and strudel) pocket sandwiches with ham and cheese, pizza, broccoli and cheese, and other fillings for the lunch-time crowd, as well as brownies, cinnamon swirl muffins and cookies round out the menu offerings. The check average is $1.46.

Mrs. Powell's started at a state fair.



U.S.A. Treats will redesign its stores.

WARBURTON'S

Headquarters: Chicago
Projected 1988 sales: $10MM
Units: 17
President: William Underhill

Reminiscent of an old London bakery, Warburton's has a history that goes back 100 years to the family that still owns and operates 100 bakeries throughout Great Britain. The restaurant is full of marble, brass and tile, as well as the ever-present aroma of freshly baked foods.

In keeping with expansion plans (to add one or two markets, in addition to Boston, Pittsburgh and Chicago), the company moved headquarters to the more central Chicago location in July 1988. Eleven stores will open in 1988 and 14 more in 1989. The company neither franchises nor advertises.

Aside from muffins, cookies and brownies, the chain offers several authentic English items, including scones, pasties (puffed pastries with meat, poultry, vegetable and cheese fillings) and savories. The average check is $1.75. All goods not sold by day's end are donated to the Salvation Army.

1988 GROWTH CHAINS

Double drive-thru remains a hot concept as entrepreneurs try to beat the big chains with quick service and low prices. All emphasize quality of burgers, whether fresh, ground on premises, broiled to order or served with lettuce and onions. Since all say theirs are the best, may the best burger succeed.

BEEFY'S HAMBURGERS

Headquarters: Nashville, Tenn.
Projected 1988 sales: $16MM
Units: 31 *
President: Charles Montgomery

Beefy's was one of the earliest entrants in the no-frills burger segment; Montgomery opened the first Beefy's restaurant in May 1984 in Nashville, Tenn. Each Beefy's unit has a double drive-thru window, an average of 600 square feet and no seating.

Beefy's menu consists of quarter-pound, "fully dressed" hamburgers (99 cents) and double hamburgers, with cheese or bacon. Beefy's also serves french fries (49 cents), drinks in 16- and 32-ounce sizes and kiddie meals. Some units also serve milkshakes and dessert items. Checks average $2.90.

Average unit volume is $425,000, but some units boast sales of $525,000 to $550,000. A Beefy's franchise costs $8,500, with 3% royalties and a 1% advertising fee. The typical cost of opening a Beefy's unit is $165,000 plus land.

Beefy's is now operating in seven states, mostly in the Southeast. The company plans to open 10 more units before the end of 1988, and 25 units in 1989—five of them company-owned and 20 franchised.

BIG AL'S

Headquarters: Kansas City, Mo.
Projected 1988 sales: $8MM
Units: 24
Founders: Anson Williams, Al Molinaro and Richard Biederman

In the popular syndicated television show "Happy Days," Richie, Potsie and Fonzie hang out at a drive-in called Arnold's. In early episodes, actor Pat Morita played the restaurateur Arnold, but Morita was eventually replaced by actor Al Molinaro. Molinaro's character was named "Big Al."

When the show ended, Molinaro teamed up with actor Anson Williams (who played Potsie on the show) after deciding that the popularity of Arnold's drive-in lent itself perfectly to a restaurant concept. But neither had restaurant experience, so they went to industry consultant Richard Biederman and soon, Big Al's was born. The first Big Al's opened in Overland Park, Kan., in 1985.

Big Al's restaurants are located only in major shopping malls, and there are two prototypes. One is a food court operation (a kitchen and a serving counter); the other is an in-line store with approximately 100 seats.

Today there are 20 Big Al's stores open around the country in cities such as Minneapolis, Baltimore, Washington, D.C., Philadelphia, Denver, St. Louis, and Dallas/Ft. Worth. Biederman says that of the approximately 1,500 major enclosed malls in the country, 400 to 500 are potential Big Al's sites. The company plans to build 15 to 20 units in 1989. The franchise fee is $20,000 and the royalty fee is 4%. Average unit volume is $400,000.

Big Al's menu includes quarter-pound and six-ounce hamburgers, straight and curly fries, batter-dipped onion rings and hard ice cream milkshakes ("real ice cream, no machines"). Checks average $3.25. Orders are served in less than one minute.

CHAR-HUT

Headquarters: Davie, Fla.
Projected 1988 sales: $6.5MM
Units: 6
Principals: Joe and Cathy Cemmisa, Ed and Jean Kirouac, Marina Weller

The first Char-Hut opened 13 years ago, and the family-owned business has yet to offer a franchise or build a drive-thru-only store. Eat-in customers account for 60% of business.

Char-Hut's menu is anything but limited. The menu mainstay is the Char Burger, 5⅓ ounces of beef on a kaiser roll priced at $2.20. Hot dogs, Italian

Beefy's has 31 units in seven states.

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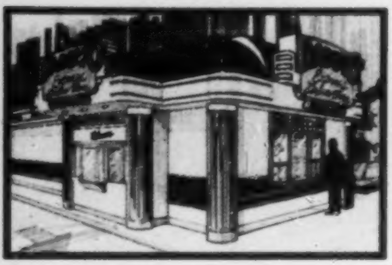
* R&I estimate



Daddy-O's plays up low menu prices.

sausage, onion rings, fries, broiled chicken and fish sandwiches, and an entree salad also are offered. The company will soon add frozen yogurt to the menu.

Checks average $4.65. Average unit volumes were not available. Char-Huts, are located in the Florida communities of North Miami, Sunrise, Hollywood, Tamarac, Oakland Park and Davie. The smallest has 90 seats and the largest, 130. Another restaurant is scheduled to open this year, and another two are slated for 1989.

DADDY-O'S EXPRESS DRIVE THRU

Headquarters: Columbus, Ohio
Projected 1988 sales: n/a
Units: 3
President and CEO: William Coleman

G.D. Ritzy's Inc. rolled out its Daddy-O's concept in 1987 and opened its first unit on the Ohio State University campus in Columbus, Ohio, in January 1988. Daddy-O's is a double drive-thru with a walk-up window and no indoor seating. Daddy-O's buildings are modular and can be moved if necessary.

The company has taken a lighthearted approach with its advertising and marketing efforts, focusing on Daddy-O's low menu prices with slogans such as "The Best Things in Life are Cheap" and "Talk is Cheap, So Are Burgers."

Daddy-O's menu includes a hamburger (99 cents), cheeseburger, double hamburger, double cheeseburger, chicken sandwich, hot dog, chili dog, batter-dipped fries, 16-ounce soft drinks and a chocolate milkshake. Checks average $2.11.

Daddy-O's franchise fee is $10,000, and franchisees also pay a $3.5% royalty fee. Projected average unit volume is $550,000 to $700,000.

Daddy-O's expansion will be primarily in the Midwest. Franchise rights will be offered first to Ritzy's franchisees. The company plans to add three to five more units before year's end, and 10 to 15 units in 1989.

FAST TRACK BURGERS TO GO

Headquarters: Baton Rouge, La.
Projected 1988 sales: $9MM
Units: 20
Founder and Chairman: Richard Hill

Fast Track's goal is to serve every customer within 30 seconds. "Our operation is a template of a time and motion study," says founder Richard Hill.

Hill, a Baton Rouge entrepreneur, real estate developer and physician, founded Fast Track in 1985. The company offers a more limited menu than most of its competitors: a hamburger (99 cents), chicken sandwich ($1.49), salad ($1.69), french fries (49 cents and 60 cents), shakes (79 cents) and soft drinks available in 49-, 59- and 69-cents sizes. Checks now average $2.80.

Fast Track's franchise fee is $12,500 for the first unit and $10,000 for each subsequent unit. Franchisees also pay a $2,500 development fee and a 4% royalty fee. Average unit volume is $600,000.

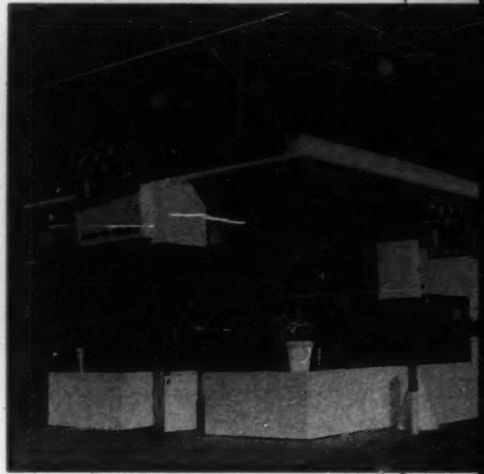
On a fast expansion track, the company has grown from two stores to the current 20 in only two years. Five to 10 more units will open before year's end, and 25 are planned for 1989. Fast Track plans to expand first in the Southeast.

Fast Track Burgers to Go grew from two stores to 20 in two years.

GOOD TIMES DRIVE THRU BURGERS

Headquarters: Boulder, Colo.
Projected 1988 sales: $2.3MM*
Units: 3
Founders: B. Edwin (Ed) Massey and Boyd Hoback

Good Times is the Boulder-based Round the Corner Restaurants' entry into the no-frills burger business. The first double drive-thru concept in Colorado, Good Times opened its first unit in Boulder in September 1987. To help the company with its aggressive franchising program, RTC has brought in Hal Taylor, formerly of Calny Inc., to be president and chief executive officer of Good Times. Ed Massey will remain chairman, president and chief executive officer of RTC.



Good Times is owned by Round the Corner Restaurants.

The Good Times menu includes a regular quarter-pound burger (89 cents, $1.09 with cheese), a deluxe burger (99 cents, $1.19 with cheese), a double burger ($1.89) and a chicken sandwich ($1.89). Fries come in two sizes; drinks come in three. There are also shakes and for dessert, rolled flour tortillas with apple cinnamon filling (59 cents). Checks average $2.19 per person and $3.27 per car. Typical serving time is fewer than 30 seconds.

At Good Times, average unit volume is $750,000 for company stores and $700,000 for franchises. The typical per-unit start-up cost is $250,000, plus land. Fees are $20,000 per franchise

1988 GROWTH CHAINS

BURGERS

The double drive-thru craze has convinced two full-service restaurant chains to invest in the concept.

and a 4% royalty fee. The company expects to have nine stores open by the end of 1988.

In addition to the present prototype, RTC has developed an alternative Good Times building, which can be ready for business in 10 days, and can be collapsed and rebuilt at another site.

GRAFFITIS BETTER BURGERS

Headquarters: San Antonio, Texas
Projected 1988 sales: $2MM
Units: 4
Founders: Chris Post and Paul Mazuca

With '50s-style diners popping up all over the country, a '50s-style drive-thru burger chain seemed a natural. Post, an 11-year foodservice veteran, and Mazuca, who has a background in finance and real estate, teamed up to open their first Graffitis unit in San Antonio in July 1987. Graffitis has "a contemporary '50s-style motif" complete with neon signage, jukebox-style menu boards, and '50s music piped through the drive-thru system.

The Graffitis menu includes a 99-cent quarter-pound hamburger, a cheeseburger, double burger, bacon burger, fries and soft drinks. Graffitis first offered Moon Pies for dessert, but found they weren't selling, so the chain switched to a chocolate mini cake. Graffitis' goal is to serve the customer in 30 to 45 seconds.

The key to Graffitis' success, Mazuca says, will be in the quality of its product and in the systems used to cook and serve it. "If you mess up on a burger, you're not going to get the customer back," he says. "Other people are just jumping in and selling anything. I've seen a lot of bad product come out of other peoples' windows."

Graffitis will have six stores open by the end of the year (in Arizona, Arkansas and Texas) and plans to open 20 more in 1989. The franchise fee is $12,500 and franchisees pay a 4% royalty.

Post and Mazuca are negotiating a merger with a small chain of Mexican fast-food restaurants, and they plan to add 12 to 23 Graffitis units a year after the merger is complete. In early 1989, Graffitis will team up with a national ice cream chain; the two concepts will share sites and common seating areas.

Graffitis will soon team up with a national ice cream chain.

Zipps
Zipps
Zipps

Bob Gontram opened Zipps last year.

ZIPPS DRIVE-THRU

Headquarters: St. Louis, Mo.
Projected 1988 sales: $6.9MM
Units: 12
President: Bob Gontram

Gontram, a former Rax franchisee, opened the first Zipps in May 1987. He says he originally planned to buy a franchise. "But I saw what companies were offering for $25,000, and I thought I could do it better myself," he explains.

There are two differences between Zipps and other drive-thru chains. The first, according to Gontram, is its truly limited, seven-item menu. Quarter-pound hamburgers (99 cents) come with lettuce, tomatoes, onions, pickles, ketchup and mayonnaise. Double burgers, cheeseburgers and double cheeseburgers also are sold. Zipps calls fries its signature product, and coats them with seasonings. Chili and soft drinks complete the menu.

The second difference lies in the building. Zipps' units are traditional buildings and are not movable.

By the end of this year, a total of 30 Zipps should be open. Zipps' expansion territories include St. Louis; Albuquerque, N.M.; Kansas City, Mo.; and Chicago. Checks average $3.55. The sole unit that has been open a year grossed $900,000 its first year. The franchise fee is $10,000, and royalties are 3%.

1988 GROWTH CHAINS

S[illegible]

Sandwich chains sold more franchises than any other foodservice segment in 1987, according to the U.S. Department of Commerce. These Growth Chains are selling sandwiches to consumers as a healthy meal choice and sandwich franchises to potential licensees as a low-investment, low-overhead business requiring little footage and less cooking.

DEXTER'S SUBS

Headquarters: Columbus, Ohio
Projected 1988 sales: n/a
Units: 16
President: Michael Abraham

This 8-year-old sandwich chain stresses freshness: Dexter's bakes white and whole-wheat buns daily for its menu of 20 different subs, including the chili "Mex Dex" and the Breakfast Sub of bacon and egg. Prices are $1.70 to $4.85; average check is $4.20. Average unit volume in 1987 was $240,000. The nine company-owned stores alone had sales of $2 million. Dexter's has stayed mainly in Ohio so far, but the chain is now looking at Pittsburgh, Houston and Atlanta.

JRECK SUBS

Headquarters: Watertown, N.Y.
Projected 1988 sales: n/a
Units: 45
President: Thomas Swartz

Founded in 1969 by five high school teachers (whose initials form the tongue-twisting name), Jreck survived early growing pains and has seen strong growth in recent years. Systemwide sales went from $3 million in 1982 to $16 million in 1987. The typical Jreck's has about 32 seats; many are converted gas stations. Average unit volume is $360,000 and checks average $3.62.

O! DELI

Headquarters: San Francisco
Projected 1988 sales: n/a
Units: 7
President: Joseph Sanfellipo

O! Deli is the result of a purposeful search for a limited-risk, low-investment franchise concept. The concept debuted in San Francisco in 1985, selling 19 subs under $3, salads, soups, breakfast and dessert items, and quality coffee. No ovens are required, so units can locate in high-rent office districts to draw regular buyers and those who want an alternative to fried food. O! Deli stores close before dinner. Average 1987 unit volume was $300,000 on systemwide sales of $2 million.

Seawest levies a flat franchise fee.

PORT OF SUBS

Headquarters: Reno, Nev.
Projected 1988 sales: $6MM
Units: 27
Founders: John R. and Pat Larsen

Port of Subs is unique in its market for a front-line prep method that lets the customer direct the making of his "East Coast-style" sub dressed with oil and vinegar. It now has units in Nevada, Arizona, California and Washington, and plans a total of 40 by late 1988. In 1989 the company expects to open two units a month and to reach new markets such as Oregon and Utah. Most stores have seating for 50; drive-thrus in three new units account for 30% to 40% of their business.

SEAWEST SUBS

Headquarters: Bellevue, Wash.
Projected 1988 sales: $12 MM
Units: 77
President: James P. Iseman

Seawest's 20-sub menu is less distinctive than its franchising arrangements. Licenses are $15,000, but the company has replaced the usual percentage royalty with a flat $2,000 annual payment. The average Seawest store occupies 750 square feet in a suburban strip mall; most have limited seating and aim for a large takeout and delivery business. Total investment can range anywhere from $35,000 to $65,000.

O! Deli targets repeat lunch buyers.

1988 GROWTH CHAINS

These three companies are determined to prove that Chinese chains can be successful. They've updated the concept with speedy delivery and takeout, and offer Americanized Chinese favorites to appeal to a wide variety of palates. With a little luck, this group may rewrite the record books.

HOP TOO'S

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $1MM
Units: 3
President: Charles B. Miller

Miller and co-founder Joseph Piazza patterned Hop Too's after Domino's Pizza. "We originally thought of pizza, but learned that Chinese is the second most popular delivery time," Miller says. The first unit opened in March 1987.

The takeout and delivery restaurants offer a variety of Americanized Chinese, food, including fried rice, pepper steak, lemon chicken and soups. The food, is sold mom-'n-pop style—by the pint and quart. Hop Too's signature item, sweet-and-sour chicken, costs $4.75 for a pint and $7.25 for a quart. Dinner for two averages $14.50.

The restaurants offer a 30-minute delivery-time guarantee or $2 is taken off the check. The meal is free if it is not delivered in 45 minutes. Hop Too's fulfills its promise 98% of the time, Miller says.

Hop Too's franchise fee is $25,000, plus a 5% royalty fee. Miller and Piazza hope to open another five units this year and a minimum of 20 next year.

Hop Too's offers delivery and takeout.

MANDARIN EXPRESS

Headquarters: Bakersfield, Calif.
Projected 1988 sales: $6MM
Units: 15
President: Simon Hsu

Two types of restaurants bear the Mandarin Express name. One offers takeout and delivery only, and the other is a 54-seat limited-service restaurant. Hsu is directing most of his attention toward the former, even though he is aware of Chinese fast food's track record.

Both Mandarin Express concepts offer what Hsu calls typical Chinese food: Fried rice, beef dishes and chicken dishes, which are the best sellers. "Thirty percent of our menu accounts for 80% of sales," he notes. Checks average $4 at lunch and $6 at dinner.

Hsu, who formerly operated a group of full-service restaurants, is trying to franchise all company-owned units. The franchise fee is $10,000, plus 5% royalties. If all goes well, Hsu will open one new unit a month next year.

MR. CHING

Headquarters: Atlanta
Projected 1988 sales: $2.4MM
Units: 6
Co-founders: Ed Sear, Frank Lane

Mr. Ching's menu was designed to appeal to upscale Atlantans, according to Frank Lane. Fried rice and spicy dishes, such as Tsun Tsu Beef ($8.50) are Mr. Ching's specialties. The two founders, however, have discovered that the food has broad appeal, even with check averages of $7.50 per person. "We do good business in college towns," Lane says. He also says teen-agers account for 25% of Mr. Ching customers.

Three of the four units offer delivery and takeout only. About 90% of business comes from delivery, which is not guaranteed. Instead, customers are told when to expect their order. The orders are delivered in microwave-safe containers. Each unit runs two delivery trucks. The fourth restaurant, located in a converted Dunkin Donuts, seats about 35 people. About 60% of its business comes from takeout.

Sear and Lane say they do not plan to offer Mr. Ching franchises. They expect to open 12 more restaurants this year. Plans for 1989 have not been made, Lane says.

1988 GROWTH CHAINS

AMIGOS

Headquarters: Lincoln, Neb.
1988 sales (Fy ends 6/30): $6.7MM
Units: 20
President: Roger Moore

Moore describes his chain as "somewhere on a continuum between Taco Bell and Chi-Chi's." The menu offers fast-food Mexican fare, such as nachos ($2.39), meat enchiladas ($1.89) and taco salad ($3.25 for a large one).

Although 15 of the restaurants sell wine, beer and margaritas, alcohol accounts for only 5% of volume. Checks average $3.25 and average unit volumes are $600,000.

HACIENDA FRANCHISING GROUP

Headquarters: Mishawaka, Ind.
Projected 1988 sales: $13.5MM
Units: 7
Principals: William N. Shannon III, Kenneth Zmudzinski, Lance Mulling

Hacienda is approaching expansion carefully, says Zmudzinski, president of the company. "We've learned from our mistakes and now I think we're doing well," he says. The company started franchising in January, and plans to open three units next year.

Hacienda specializes in huge portions at modest prices. Wet burritos, priced at $3.25, are made with eight ounces of taco meat rolled in a 10-inch flour tortilla, and covered with molé sauce and a quarter pound of melted cheese. "People rarely finish the whole thing," Zmudzinski says. Checks average $5.50. Alcohol accounts for 40% of sales.

The franchise fee is $15,000. Royalties are charged according to annual sales volume: The percentage goes down as volume goes up. "We want to give franchisees an incentive to do well," Zmudzinski explains.

LOS TIOS

Headquarters: Houston
Projected 1988 sales: $5MM
Units: 9
President: Rosemary Garbett

Garbett describes her full-service Mexican chain as family oriented. "Our atmosphere fits everyone from babies to grandparents," she explains. Eight of the restaurants are located in strip shopping centers. The ninth location opened in July at Houston's Astroworld. Los Tios serves lunch and dinner seven days a week, 361 days a year.

The best-selling items are *chili con queso* and nachos Los Tios. Checks average $6.50 and unit volumes range between $500,000 and $1 million. Garbett says she prefers community involvement to formal advertising.

Garbett plans to open one more unit this year. Next year's expansion plans depend on the Houston economy, she says. Now, all Los Tios restaurants are company owned. Garbett will begin to franchise if her food-processing business, which supplies institutions as well as a few chains, succeeds.

TACO TABER

Headquarters: Purcell, Okla.
Projected 1988 sales: $180,000
Units: 3
President: Floyd Taber

Why did Taber leave Taco Bell in 1983 to open Taco Taber? "Because Taco Bell makes so much money," the former supervisor explains. "I didn't think it would take very much to open my own restaurant." Taber's 15-item menu includes taco salad ($2.89). Drive-thru customers account for 50% of sales. The restaurant seats 50 people.

Taco Taber plans to open 10 units next year, all franchised. The franchise fee is $10,000, with 3% royalties and 2% toward advertising. R&I

MEXICAN

These growth chains take advantage of the fact that there is only one national Mexican fast-food chain and even Taco Bell has not exposed the entire country to tacos, tostadas and guacamole. All three new concepts offer low prices and quick service, and are quickly amassing loyal local fans.

Los Tios founder Rosemary Garbett

ACTION EXPRESS

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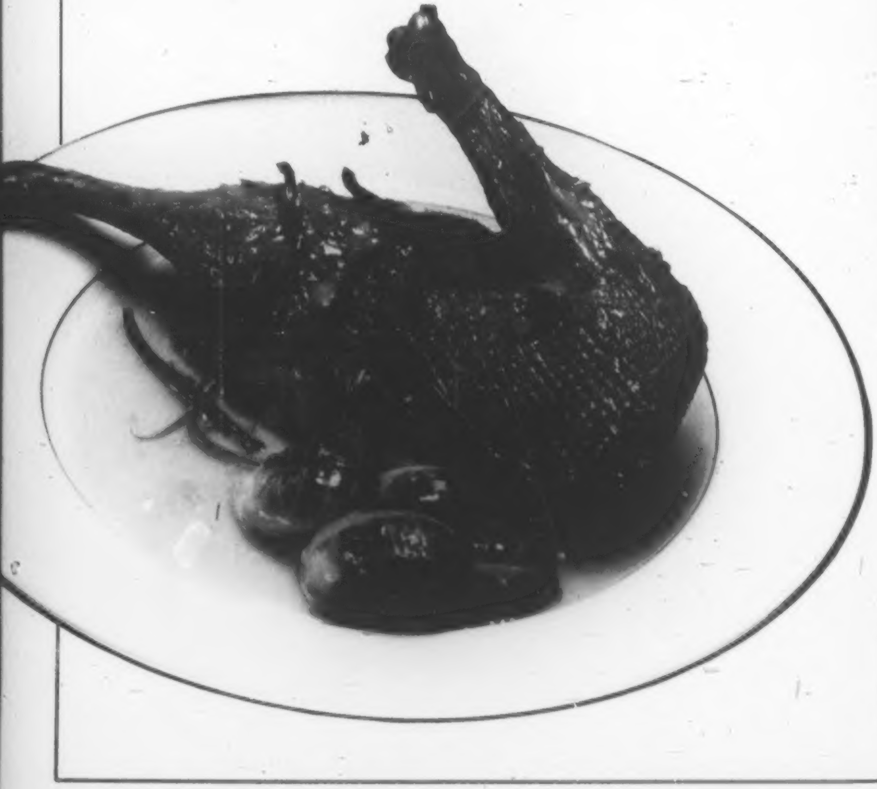

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*A special section for commercial operators only.

R&I FORUM

TRUTH IN NUMBERS

Bravo on your July 22 editorial ("Foodservice Deserves Truth in Numbers," p. 14)! As always, *R&I* leads the way. While it is all too easy to avoid the incongruities inherent in dealing with the Census retail trade data, I cannot help but feel they must be dealt with head-on. You did just that, to the continuing credit of your fine publication. I admire your obvious respect for your readership.

Indeed, foodservice deserves better. Thank you for your steps in making it so.

Frank Panyko, vice president, The Food Institute, Fairlawn, N.J.

■ **LETTERS**

Waste Crisis Caveat

An additional public relations benefit for foodservice establishments that recycle packaging materials (see "Waste Crisis," August 19, p. 38) is the job opportunities such an undertaking generates. While single-unit establishments may require only more efficient use of current staff, larger operations need to add employee hours in both management and labor sectors of employee pools. The public's (i.e., customer's) favorable attitude toward a community's employer can be considered free advertising.

We are successfully piloting a waste recovery program at the Hyatt Regency Hotel in Minneapolis. Our current defrayment of waste removal expense will convert to income as the Hyatt-Minneapolis increases the amounts and types of materials recycled.

In the article, J. Rodney Edwards suggested recovering corrugated boxes by having food delivery trucks return to home base. I caution against the use of food transport vehicles for used packaging materials. The probability of chemical and microbial contamination and, particularly, pest infestation is considerable. Just as a foodservice establishment's policy should be that food handlers do not touch contaminated materials (bus dishes, clean floors, empty garbage), so should it also be the policy within the industry that food delivery trucks not be used for non-food transport, specifically, garbage. Since waste recovery facilities are usually isolated from food distribution centers, a separate fleet of trucks for waste transport is necessary.

Colleen Kastanek-Cholensky, Garde Manger Dept., Hyatt Regency Hotel, Minneapolis

Back To Square One

The letter in the June 24 issue from restaurant owner May Ditano states that she ate in "Square One (Restaurant) and other places like that." As a restaurant owner, she should realize that kind of gratuitous lumping together of all "big restaurant owners" is a careless, ill-informed remark.

Joyce owns one medium-sized restaurant, is on the premises an average of 90 hours per week and takes great care to ensure that not only the quality, but also the generous portions of her food are scrupulously maintained.

Obviously, from Ms. Ditano's tone, she came to eat at Square One with the preconceived idea that it would have the same problems that she had encountered at "other places like that" and that she was in a food factory instead of the personal, family restaurant that Joyce runs. I can't believe that Ms. Ditano could finish an entree here and perhaps dessert or one of our first courses and have any room for a sandwich when she got home—unless she ran behind the car on her way back.

All of us who work with Joyce are at a dead run to keep up with her and the standards we all believe in. It's discouraging when another restaurant owner joins the ranks of those who judge with closed minds and operates from an "us (small) vs. them (big)" mentality. I hope that Ms. Ditano comes back to Square One to enjoy herself and eat our wonderful food (which is never "garnished with bunches of herbs or a peel of fruit").

Thank you for the time (and we hope, the space) to respond to Ms. Ditano's letter. We appreciate the thoughtful feedback from Mr. Kouzaris, who also runs a local restaurant.

Vivian Rodriguez, general manager, Square One Restaurant, San Francisco

TAKE NOTE

In the *R&I* 400: Overview (July 8), the Power Pyramid chart on p. 25 should read *billions*, not *millions*. In the "400" ranks, a minus sign was omitted before the percent change in units for Marriott Corp.; the correct figure should be -4.5%. On p. 50, 1987 sales for Carlson Companies were underreported as $724.1 million. The corrected sales total is $766.1 million.

Chains 50 on p. 143 gave erroneous unit numbers for three companies. The actual 1987 totals are: Pizza Hut, 6,173 units; Round Table Pizza, 535 units; and Godfather's Pizza; 583 units.

In *R&I* 400: Menu Concepts (July 22), the Burger King unit total given on p. 32 is incorrect. Burger King actually reported 5,179 units in 1987.

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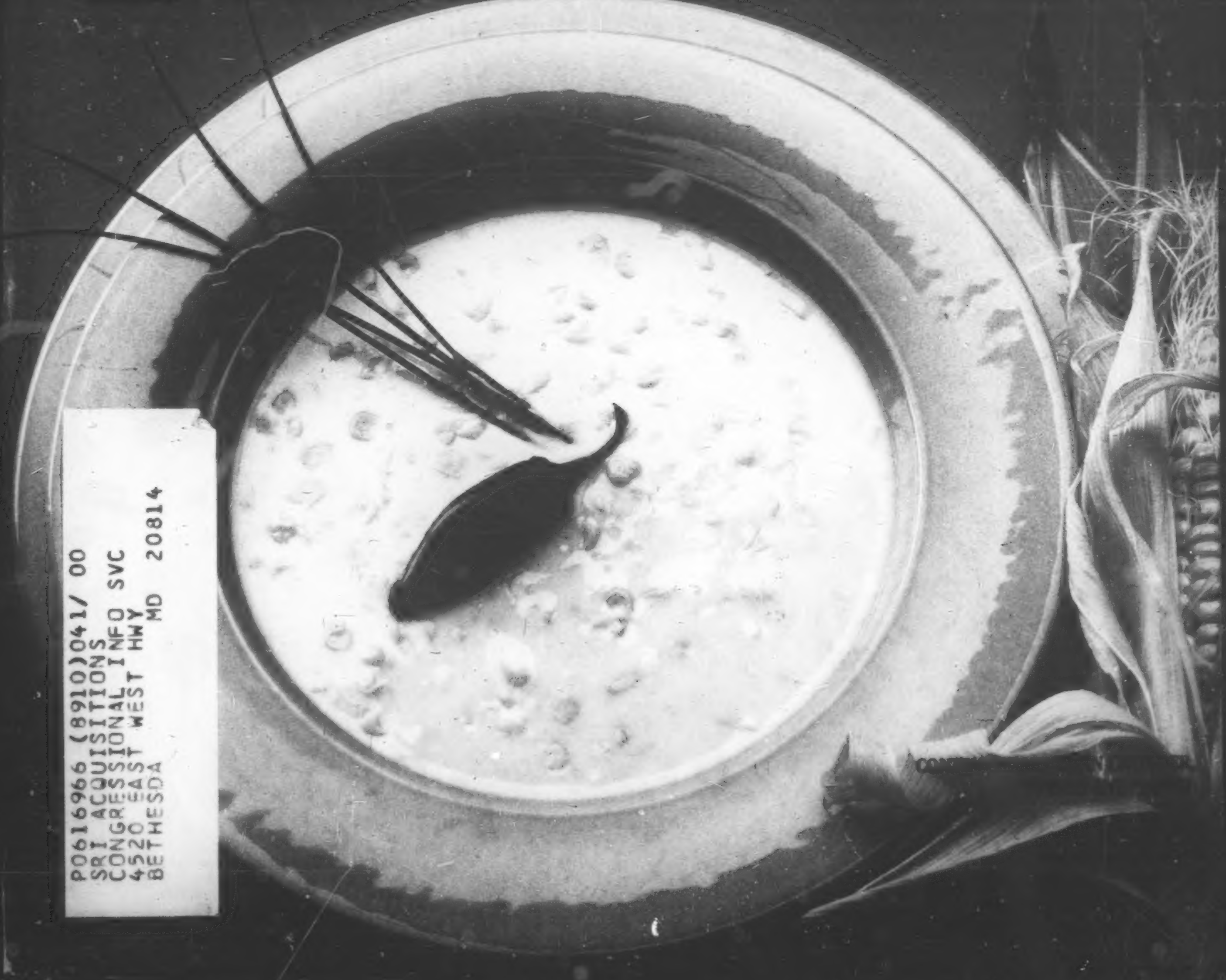

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R&I REPORT

■ OPERATOR OUTLOOK

Survey: Operators May Absorb Expected Increases in Food Costs

Surprisingly, only 35% plan to raise menu prices in the near future.

More than 90% of operators polled by *R&I* at the end of the summer expected food costs to increase within the next three months, but only 35% planned to raise menu prices during the same period.

Why the discrepancy? Operators seem to be heeding the advice of industry analysts who say consumers will not stand for price increases in these uncertain economic times—even if they are based on higher food costs. Ron Paul of Technomics says that operating costs should have nothing to do with menu pricing right now. He recommends that operators base pricing on competition, especially in midscale and upscale restaurants.

In the wake of this summer's drought, 95% of institutional operators expected food costs to increase, compared to 90% on the commercial side. Full-service operators expressed the most optimism, expecting only modest cost increases.

The average food-cost increase, according to survey results, is expected to be 5.48% (5.82% commercial versus 4.99% institutional). Surprising, however, was a response by almost 30% of commercial operators who were expecting increases of 9% or more, much higher than recent U.S. Agriculture Department predictions after its latest assessment of crop losses. Only 13.2% of institutional operators expected at least a 9% increase.

Respondents also were asked how much they thought the price of individual commodities would increase over the next three months. More than 70% expected fruit and vegetable prices to increase by more than 5% and 55% said poultry prices will go up at least 5%.

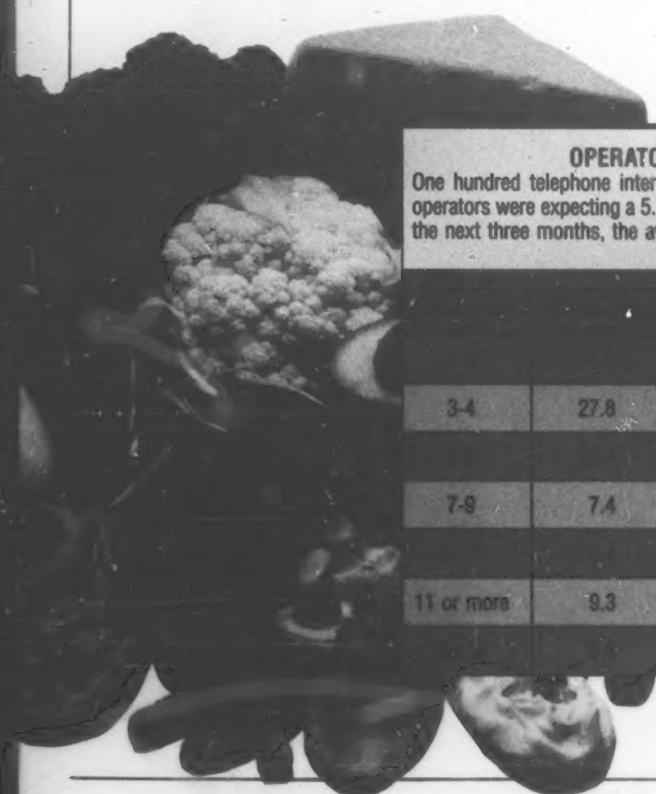
On the bright side, more than 40% of operators surveyed expected meat and seafood prices to increase less than 5% within the next three months.

Of the 35% of operators who said they would or might increase menu prices, the average increase was planned at 6.19% (6.62% commercial versus 5.5% institutional). On the commercial side, 45% said they planned to increase prices 7% or more and another 45% planned increases between 3% and 6%.

Among institutional operators, 23% were planning increases of more than 9%, while almost 70% said they would boost prices between 3% and 6%.

At the Western Restaurant Show, National Restaurant Association President Jim Peterson predicted drought-related food cost increases to be reflected in menu price increases of 3% to 5% during the period from late 1988 through 1989.

The 100 respondents were also asked if they thought the minimum wage would increase next year; 66% answered yes, 28% no and 6% did not know. Institutional operators (72.5%) were more confident in an increase next year. —*J.W.*



OPERATOR OUTLOOK: FOOD COSTS AND MENU PRICES

One hundred telephone interviews conducted between Aug. 10 and Aug. 19 showed that foodservice operators were expecting a 5.48% increase in food costs. Of the 35% that plan to raise menu prices within the next three months, the average increase is 6.19%

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7-9	7.4	7.9	7.6	4.5	0	2.9
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11 or more	9.3	7.9	8.7	4.5	0	2.9
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